Nonbank Competitors Begin Copying Bank Strategies

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many of the largest insurers are concentrating on developing planning packages that also provide access to attractive investment options, including annuities and mutual funds. This appears to be the strategy behind the Travelers Corp.'s introduction of a computerized financial planning package for use by independent agents as well as its new cash management type account which was introduced first as a product for the agents to use themselves.

In order to avoid obstacles, and perhaps cut a new road into the future, many insurers today are attempting to capitalize on a traditional strength they have compared to the other financial services firms. This is the fact that, as SRI International pointed out in a report prepared for delivery at a Securities Industry Association sales and marketing meeting a few years ago, 24% of all financial reviews done for the affluent in the U.S. have been done by life insurance agents. SRI went on to note that "that's three to four times the number that have been done by either a bank or a broker."

It is therefore no wonder that most of the seven insurers which described special programs for the affluent in the American Banker survey wrote about financial planning, estate management, or what the insurers call "advanced underwriting" programs.

A majority of these programs are targeted at consumers who already have insurance in force of at least $100,000, although one targets those with $1 million in insurance. The goal is to increase that amount, and in the case of a few of the companies, to cross sell new investment products which have been developed.

One of the respondents to the Marketing to the Affluent Survey has begun a slightly different program compared to other insurers. This company has started a financial counseling center as a pilot project in a large eastern city. For a fee of $1,500 the customer gets six conferences over three or four months with a written report. The program is targeted against those consumers with net worths in excess of $250,000.

Connecticut General is also piloting fee-based financial planning, according to Kay Mazuy Clarke, vice president, marketing and investment products, and formerly a marketer at Shawmut Bank in Boston. She notes that Connecticut General is the only insurer that has, since the 1960s, required its agents to be licensed to sell mutual funds.

Whether the insurance industry or any of its constituents will be successful in these expansionary efforts remains to be seen.

One retired insurance agent, who still remembers the industry's early debacle with mutual funds during the 1960s, complains that "the insurance companies should have had this whole financial services business wrapped up, but they were just too damned nearsighted. They wouldn't spend the money to train people properly, to develop the right kind of mutual fund products, or to pay proper commissions. Then they all got scared and they told us [agents] to tell people, 'If you want to gamble with your money, put it in a mutual fund.' Now, look at them all scurrying around to offer those products."

Fund Managers Fight Back

Of all of the nonbank financial services providers, mutual fund managers perhaps are under attack most intensely at this point in time. Not only has the successful money market deposit account taken a big bite out of money fund assets, on which many mutual fund companies had become highly dependent, but now the proliferation of annuities and all-purpose money management accounts offered by all of the competitors is threatening a larger portion of their business than ever before.

For the first time, the mutual fund groups have to look beyond the money market fund, called by one banker, "the most successful financialproduct in the past 20 years," to find new ways to make money.

"The whole idea of target marketing began about five years ago with the banks," noted one mutual fund executive.

A traditionally product-driven industry, the mutual fund groups really had no need to segment the consumer market, he explained. They just sat back and watched the average balances grow. The average balance in a money market fund account at the end of the first quarter of 1983 was $14,500. The average in tax-exempt bond funds was $21,000.

Today, many mutual fund groups have decided that segmentation based on the size of balances in mutual funds is the best way to go and have started to adopt what can best be called a relationship banking strategy, finding products which are strongly synergistic with those already offered, such as increased electronic and telephone access to mutual fund account information, financial planning and, in a few cases, discount brokerage and lending products.

"If you can offer services which make it more convenient to do business with you, then you can tie them in tight," explained one mutual fund executive. His company, he noted is looking at new ways to provide delivery of account information and ability to transfer between funds via touch-tone phone and computer — which eliminate the need for using customer service representatives.

He admits "we ought to offer special services to the larger account shareholder, like those keeping $250,000 in one of our funds."

Right now, this firm does not provide such services but, along with other mutual fund groups has identified a strong annoyance factor on the part of the larger shareholder who complains that he or she has to wait on the phone for a service representative who might first be dealing with a $5,000 accountholder.

Separate Phone Numbers

A few mutual funds have developed special programs providing personal representatives (like personal bankers, except these operate via telephone) for customers with higher account balances.

One such company, the Calvert

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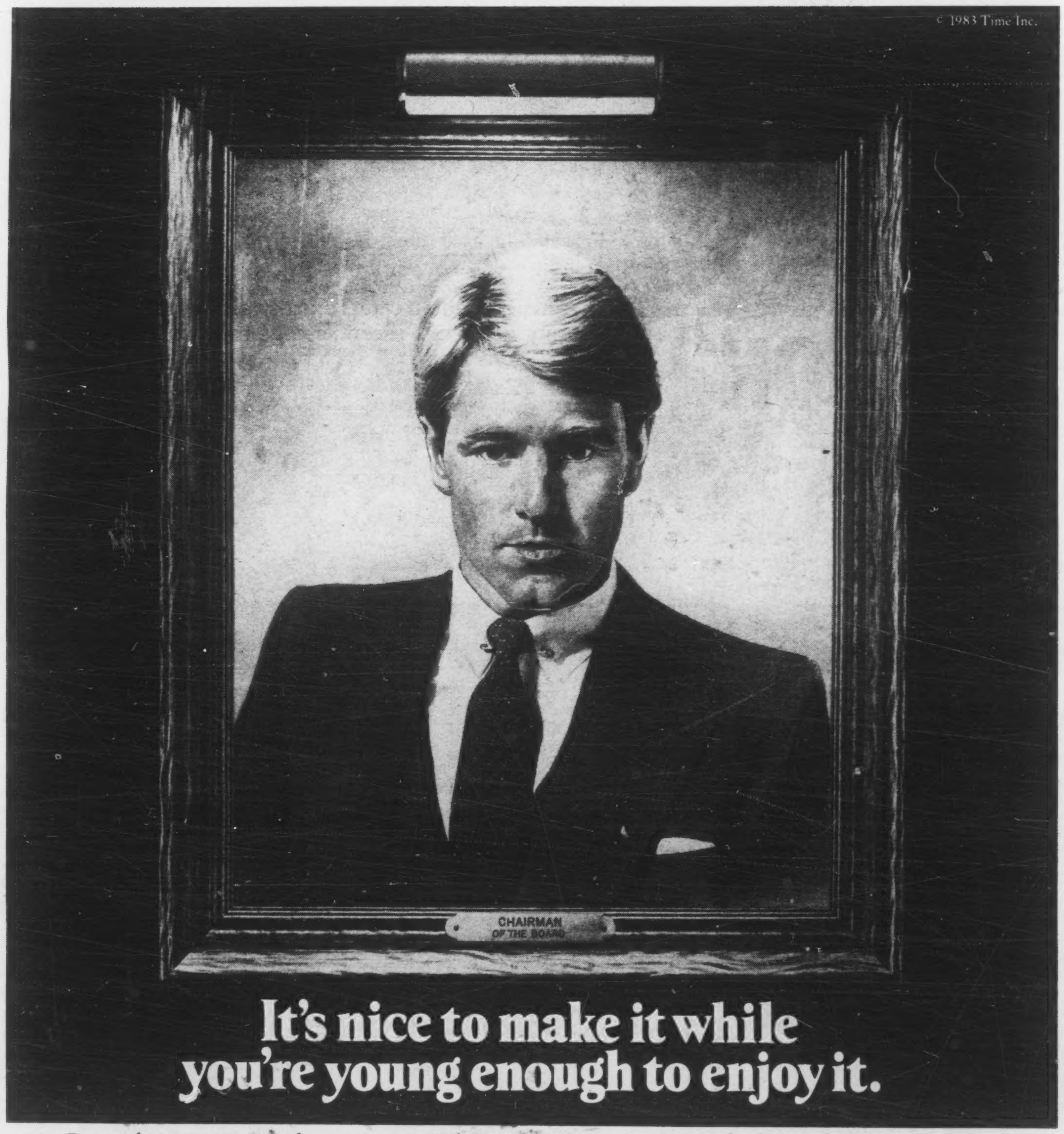
CHAIRMAN OF THE BOARD
It's nice to make it while you're young enough to enjoy it.

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How to succeed.

Almost Half of Financial Firms Target Affluent, Survey Says

Continued from page 15

respondents chose income followed closely by net worth. Also mentioned frequently was deposit balance, and to a lesser extent total relationship, followed by profession, investment portfolio size, and credit needs.

Forty-nine respondents said they use both income and net worth to identify affluent customers. Thirteen, including seven insurers and three finance companies, use income only. Two large banks and one medium-sized regional use net worth only. Two respondents use neither criterion, and one will use either net worth or income. Insurance companies and finance companies tend to use income more as a criteria because a consumer's ability to pay loans and insurance premiums depends on current income flow, not on assets.

Two-thirds of those using income as a criterion define income as household income, and the other third define it as individual income. The individual income criterion is most common among the largest banks, which primarily like to see individual incomes of $100,000 a year or more in an affluent customer. One reason behind this preference for individual income is that seven of the 15 large banks in the survey are located in New York City, where incomes are generally higher than in other areas of the country.

> "You will not see an emergence of only large one-stop shopping centers for consumers," as J.W. Wheeler, senior economist for Hudson recently explained. The U.S. market is so diverse that the room for variety and specialization is incredible."

Twenty-one respondents define a minimum yearly income of $50,000 to $60,000 as a measure of affluence. The next most frequent minimum is $100,000, desired by seven of the largest banks, one small regional, one mid-sized regional, three insurers, and two brokers.

Net Worth Levels Vary Greatly

There was less agreement on how much net worth makes for affluence. The minimum levels desired ranged from a low of $20,000 in liquid assets to a high of $1 million or more. Fourteen responses fell into the $200,000 to $300,000 range, and 12 were in the $100,000 to $200,000 range. All of these net worth figures exclude primary real estate.

As with income, the largest banks tended to want the higher minimum levels of net worth. Ten of the 15 largest banks targeted people with net worths in excess of $500,000.

Ten of the 15 large banks which responded use the size of a customer's investment portfolio as an important criterion. Two large banks, along with two brokers and two small banks, use a minimum portfolio size of $100,000. The eight other large banks use higher minimums of $250,000, $300,000, $500,000, and $600,000.

Three of the six brokers who responded said they used annual brokerage commissions as criteria. One set a minimum of $5,000 and the other two, $1,000.

Insurers most frequently chose the amount of insurance in force as their benchmark of affluence because a majority of the programs they offer involve advanced underwriting for consumers with estates or sophisticated insurance needs, frequently indicated by an already large amount of insurance in force. The most frequently men-

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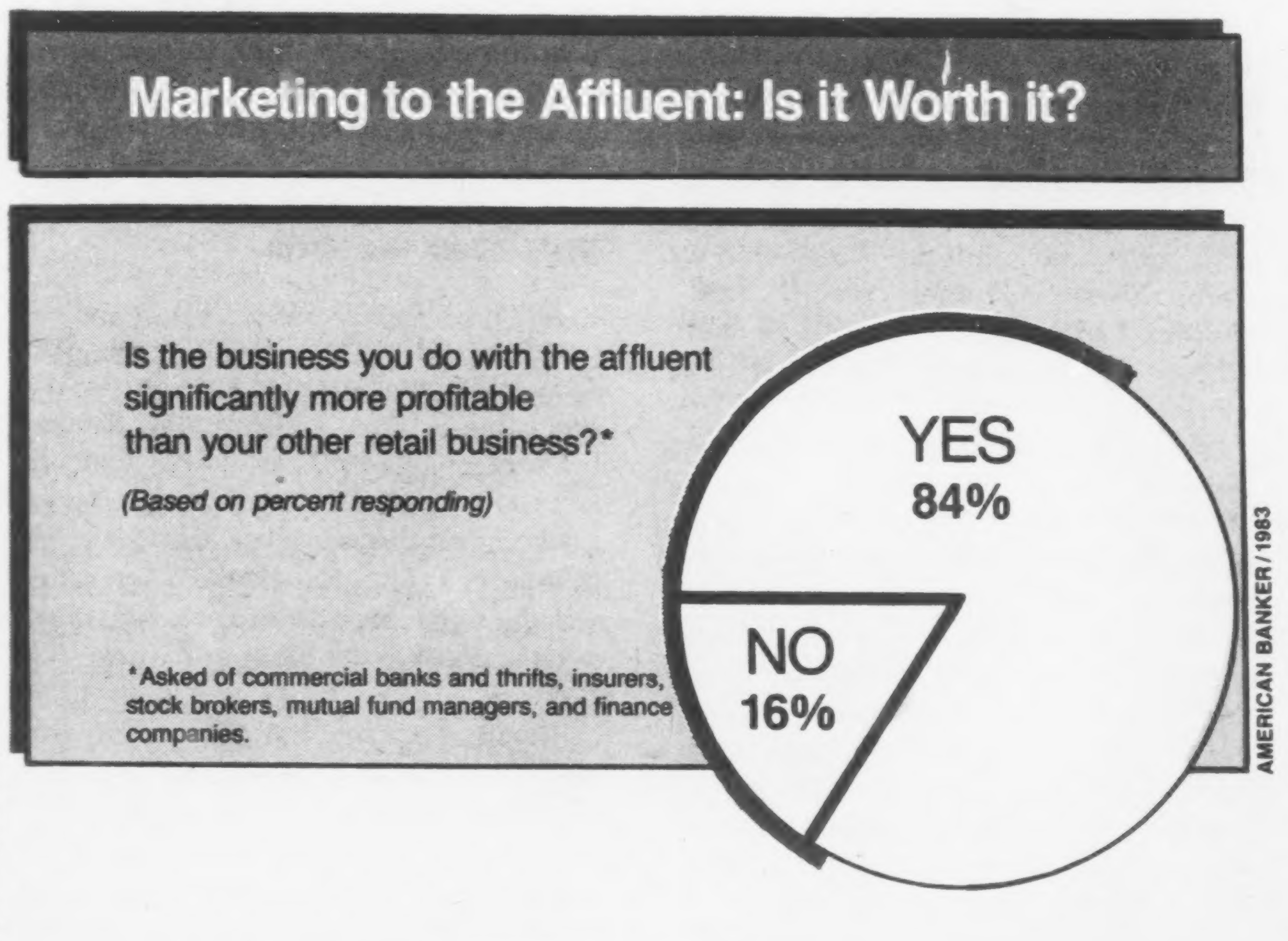
Marketing to the Affluent: Is it Worth it?

Is the business you do with the affluent significantly more profitable than your other retail business?*

(Based on percent responding)

*Asked of commercial banks and thrifts, insurers, stock brokers, mutual fund managers, and finance companies.

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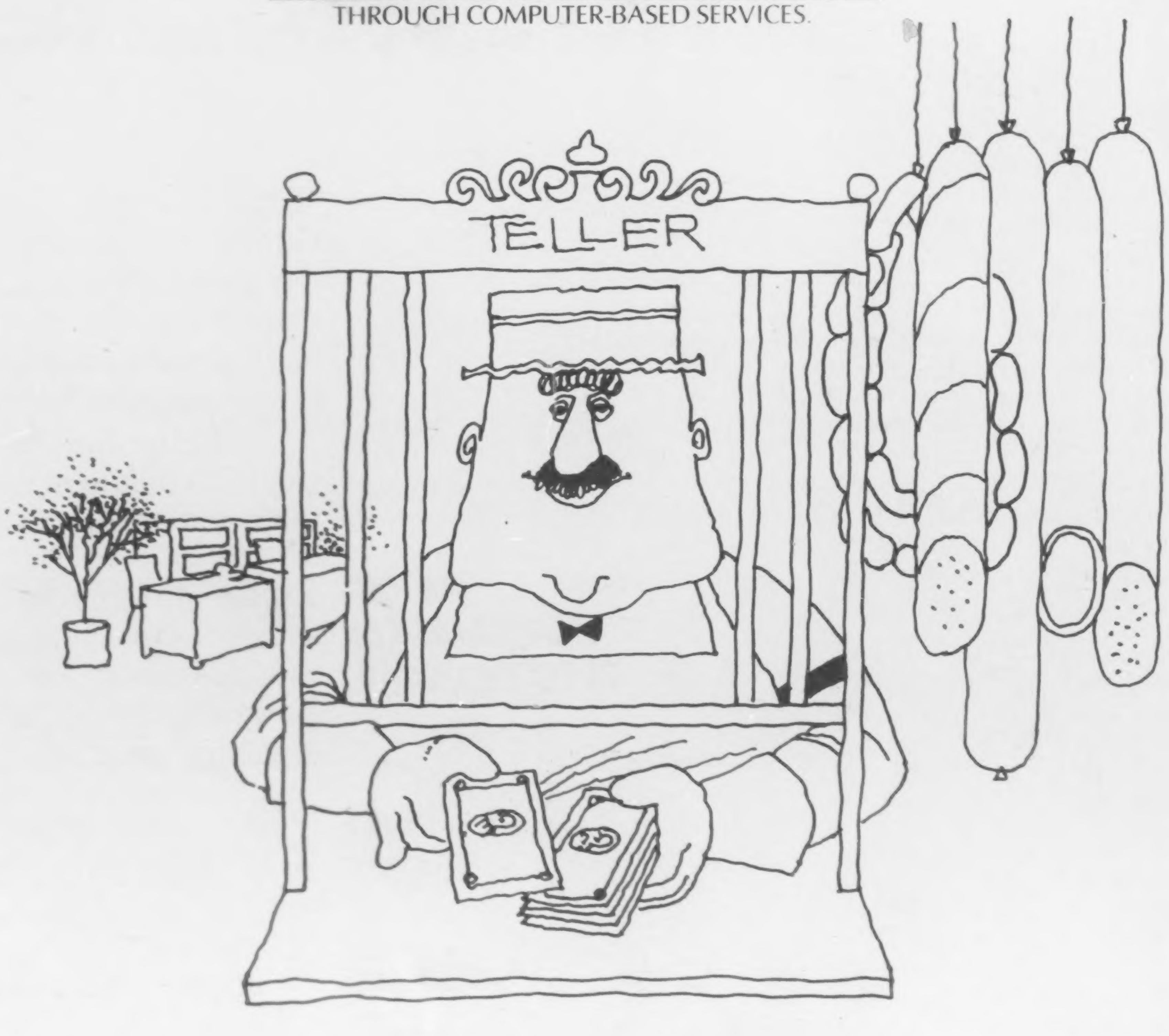

Nonbank Competitors Begin Copying Bank Strategies

Continued from page 16

Group, provides senior account representatives with separate phone numbers for consumers maintaining balances of $50,000 or more in their accounts. In addition to a personal contact who can handle both discount brokerage and mutual fund investments, these customers receive new-product information and 24-hour balance information at the touch of a telephone.

Several funds have gone even further. One of these, Scudder Stevens & Clark's Scudder Fund Distributors division has this year begun offering a service called "Scudder Fund Investment Counsel" to those consumers with Scudder mutual fund portfolios of more than $100,000. The fee for this service is $400 per year and includes a financial review and advice about where to place investments in Scudder's family of 13 funds, based on the consumer's goals and needs.

Two out of the four mutual funds which responded to the Marketing to the Affluent survey also noted that they offer planning services of some kind to consumers with higher account balances and more sophisticated needs.

Additionally, three of the four which responded offer discount brokerage services and two sell money market deposit accounts. Only one was diversified enough at this point to also offer property/casualty and life insurance to fund shareholders, but industry observers note this kind of offering may soon become more common.

Despite the fact that such moves appear to be building toward one-stop-shopping or supermarket-type financial services operations, a majority of mutual fund organizations do not think one-stop shopping will work.

As a Dreyfus executive put it, "We don't want to be a one-stop shop; maybe more stops, but not one-stop."

The Dreyfus Corp., which made such a splash in the financial services world when it announced its purchase of a consumer bank, simply wants to provide "the best products at the lowest possible cost to our shareholders," according to Joseph DiMartino, the firm's president and chief operating officer.

Translate Experience

"The only way we can do that business well is to translate our mutual fund experience into banking. We invested at attractive rates with few charges to our customers. Now we just want to play the flip side of that record when it comes to lending such as auto loans, credit cards, and home equity products," Mr. DiMartino explained.

Another executive at one of Dreyfus' competitors said he thought Dreyfus had made a smart move in buying a bank because it would allow the company to offer products which appeal to consumers at earlier stages in the financial life cycle. He was referring primarily to lending products which historically have been a strong lure for young professionals just starting out in their careers. Then, when they graduate to needing investment products, he suggested, Dreyfus would be uppermost in their minds.

Mr. DiMartino and other Dreyfus executives say that is an interesting idea but not one they had in mind at the time they decided to buy a bank.

Merrill Leads Again

While a "lure them earlier" strategy is not a part of the plans at Dreyfus, it is definitely a part of Merrill Lynch's current thrust. Executives at Merrill are reported by those who have heard them to be fond of saying how important it is to "get the hook in early."

Although Merrill has always been conscious of the need to develop long-term relationships with its affluent customer base, it is only recently that the giant stockbroker has started concentrating on offerings which appeal to the less affluent.

Might Never See Them

This strategy is occurring largely in response to the crumbling barriersbetween banking and brokering, including banks offering discount brokerage as well as joint ventures between banks and full-service brokerage houses such those occurring through Prudential-Bache Securities, which is placing some of its registered representatives in bank and thrift lobbies.

"It used to be that the young professionals would accumulate assets at a bank for four or five years and then come up here when they had some money to invest. With the banks in our business, we might never see those people," one Merrill executive explained.

For that reason, Merrill has taken the revolutionary step of placing customer service representatives — who are salaried registered representatives, not paid on commission — in the front of about 125 of its brokerage offices nationwide. These individuals, primarily women,perform a kind of financial planning analysis for nonactive traders and others who wish to purchase a single product from Merrill and don't need to — or are afraid to — deal with brokers.

Further, they free regular brokers from the onerous tasks of dealing with nonactive traders and transaction-oriented clients.

Many of the products the service representatives have been successfully selling are banking products such as certificates of deposit. Merrill has sold more than $7.5 billion worth of CDs since it began offering them through joint ventures with banks and thrifts last year.

Additionally, these individuals profile the prospective customers as they walk in the door and try to fit the personality of the customer with the personality of the right broker in the office, according to Jim Flynn, vice president and director of public relations for Merrill Lynch.

Like the insurers and some of the mutual fund groups, the nation's largest stockbrokers are also using financial planning as a hook on which they can hang other services to the affluent.

In addition to Prudential-Bache's total financial planning effort which has been well-publicized, E.F. Hutton has an active financial planning effort under way. One section of Hutton's financial planning group is providing

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THE FANNIE MAE MORTGAGE-BACKED SECURITY.

"AN IMPORTANT ASSET AND LIABILITY MANAGEMENT TOOL."

When Mortgage-Backed Securities were first introduced by Ginnie Mae, lenders took to the idea, fast. Then Fannie Mae, the Federal National Mortgage Association, improved on a good thing—to offer you MBS with the liquidity and flexibility you need, with streamlined procedures to make the process faster than ever before.

In the first two years alone, Fannie Mae issued more than $25 billion in mortgage-backed securities. That's the fastest start-up of any MBS ever offered.

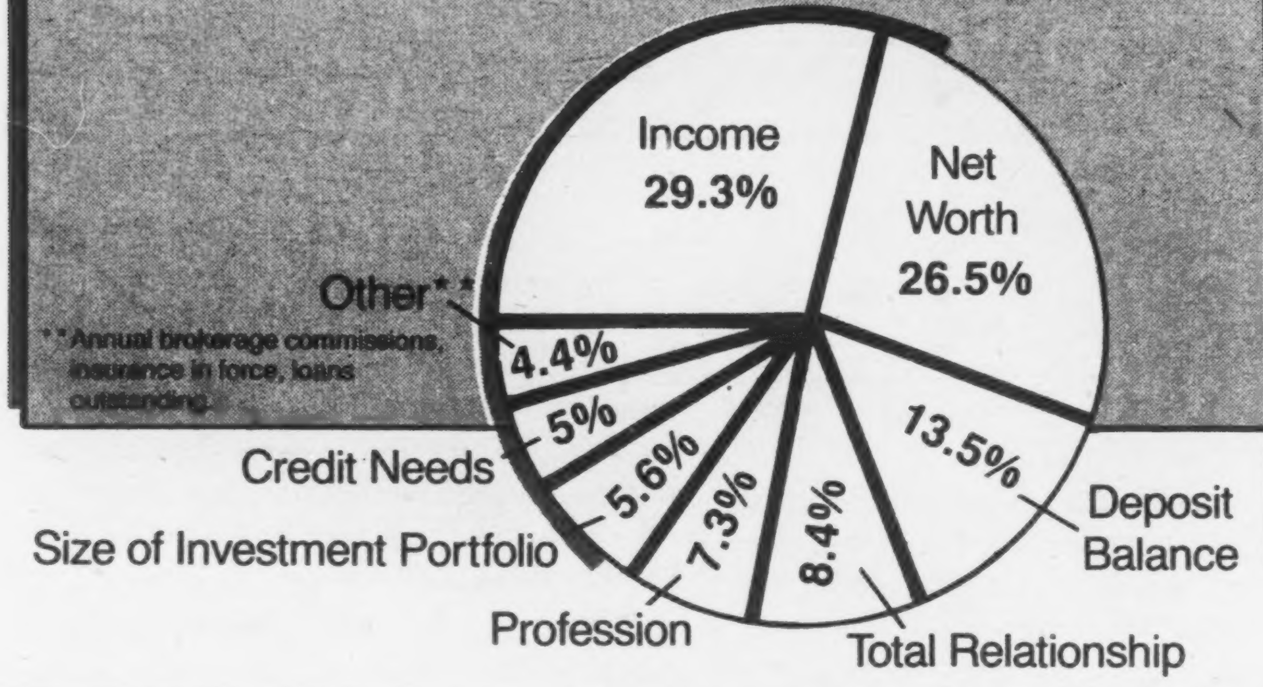
VARIOUS MORTGAGES CAN BE POOLED, EASILY. Fannie Mae guarantees securities backed by new or seasoned conventional loans, as well as FHA-VA loans originated at least 12 months earlier. Since our underwriting standards are generally used industry-wide, qualifying your loans for pools is a simple matter.

MOST LENDERS QUALIFY. If you're an approved Fannie Mae lender, you can pool loans for FNMA's mortgage-backed securities right away. If you have not yet applied, our review process usually takes only two weeks. When you've chosen the loans you want to pool, call us for a commitment—issued for 180 days with optional

Identifying Affluence: The Criteria

What are the criteria you use in deciding whether to solicit or serve an affluent individual?*

*Asked of commercial banks and thrifts, insurers, stock brokers, mutual fund managers, and finance companies.



**Annual brokerage commissions, insurance in force, loans outstanding.

As far as income and net worth are concerned, do you use income, net worth or both to identify affluent customers?

20%	Income
4.6%	Net Worth
75.3%	Both
4.6%	Neither
1.5%	Either

AMERICAN BANKER/1983

"...THE MBS... ENABLES US TO RESPOND TO MARKET OPPORTUNITIES MORE QUICKLY."

"At Bank of America, we exchanged almost $600 million in low-coupon loans for Fannie Mae's MBS. We used the MBS as collateral for state and local agencies' deposits and Treasury Tax and Loan accounts. The MBS were easier to pledge than whole loans, and they freed our Treasury securities for more profitable uses. In addition, the MBS increased the liquidity of the Bank's portfolio, which enables us to respond to market opportunities more quickly.

"The benefits of flexible collateral and increased liquidity make the MBS an important asset and liability management tool."

Don R. Coots, Vice President, Bank Investment Securities Division, Bank of America, San Francisco, CA

delivery. You submit only a few summary forms and, usually in 20 days or less, you receive the securities.

WE'VE MADE SERVICING SIMPLE. Fannie Mae reduced documentation and reporting to cut paperwork down to size. You continue to use your own accounting system. And you report summary pool activity once a month. You also remit to Fannie Mae just once a month, even if you have received interim payoffs.

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Contact the MBS representative in the Fannie Mae regional office in your area and get additional information on pooling loans—or on how to become an approved lender.

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THE FANNIE MAE MBS. SIMPLY A RECORD BREAKER.

Results . . .

Continued from page 17

tioned minimum was $100,000, although one has a program for people who already have $1 million in insurance.

Total Relationship Used

Three of the mutual fund groups use total relationship and one uses size of mutual fund account as criteria. One mentioned a relationship total of $25,000 and another, $50,000. The one which uses size of account mentioned $250,000.

Among the banks and thrifts, the most commonly applied measures were total deposit balance, size of checking account, and total relationship.

Three of the seven thrift institutions that responded said they desire total deposit balances of $10,000 in an affluent consumer; two mentioned $40,000 and one, $50,000. Only one thrift uses checking balances as a criteria and set the minimum at $5,000.

By contrast, two of the small regionals use checking balances, one, $5,000. So do eight of the mid-sized regionals — two of which use $2,500, one $6,000, two $5,000, and one $10,000 — and six of the large banks, four of which use $10,000, one $2,500, and one $3,000.

Usage of individual income is most common among the largest banks which primarily like to see individual incomes of $100,000 a year or more in an affluent customer.

Forty-five of the 69 respondents said they included certain professions in affluent marketing efforts. The most frequently mentioned were doctors and other medical professionals, lawyers, accountants, and small business owners.

In the case of the legal, medical, and accounting professionals mentioned in the survey, many bankers, brokers, and insurers noted these individuals are often the ones in closest contact with the affluent and therefore in the best position to provide referrals.

Architects, scientists, professional athletes, and entertainers were also mentioned as targets. Twenty-one respondents said they did not target by profession.

Brokers were asked to supply the average interest rate charged to affluent consumers on margin loans as a percent over the broker's call rate. Three responded: One charges 75 points over broker's call, another 50 to 150 points over call, and the third, 100 points over call. Another broker said the amount varied, and a fifth said it depended on the customer's annual commissions.

Of all 69 respondents, only four brokers and 12 large banks said they

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Nonbank Competitors Copy Strategies

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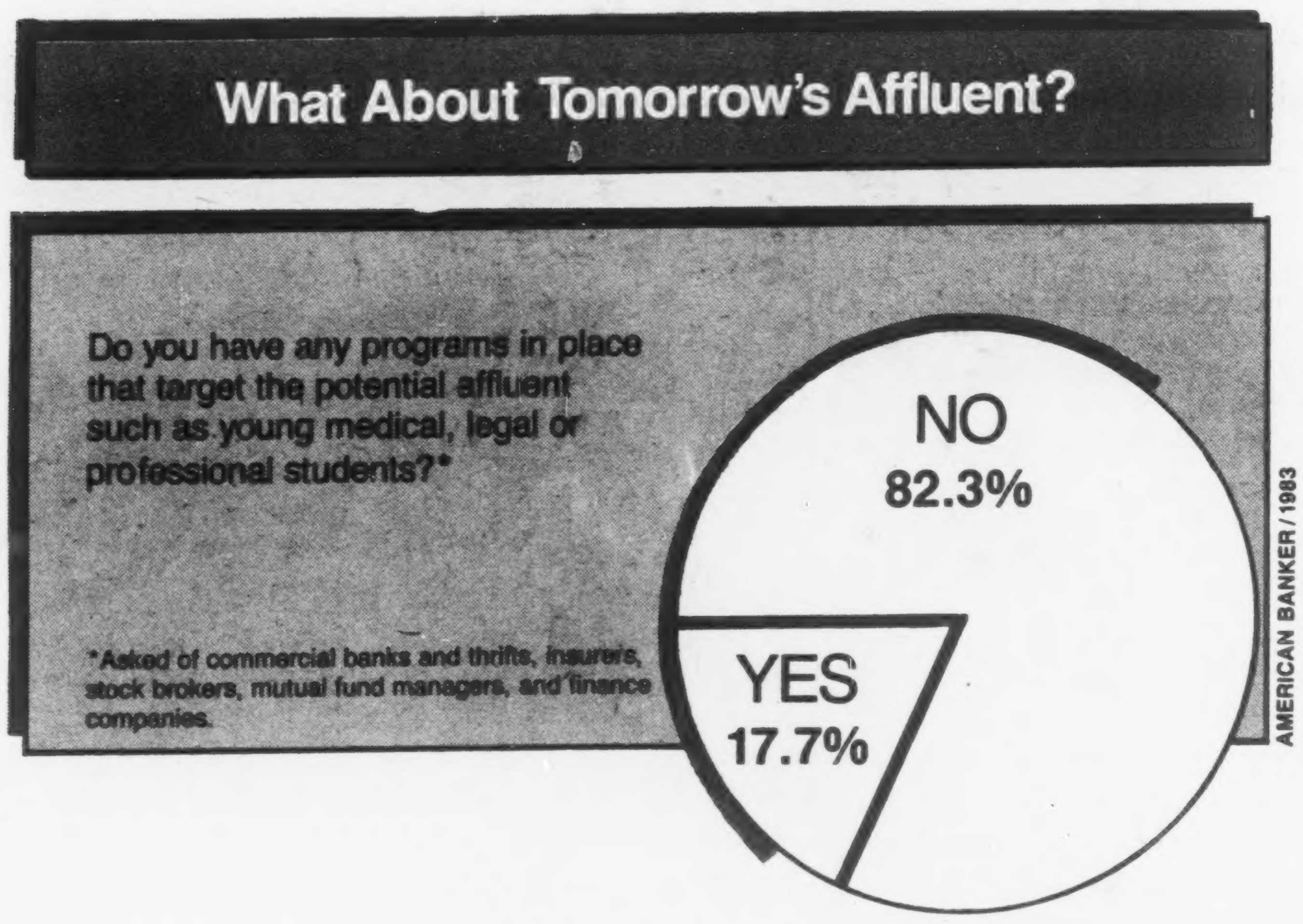


AMERICAN BANKER/1983

personal financial planning to consumers earning as little as $25,000-$65,0000 a year.

Due to the appeal of the products they offer, brokerage firms have usually only dealt with affluent individuals. There was, therefore, not much need for them to segment the consumer market until this point.

But in addition to Merrill and Hutton, at least one other, Shearson/American Express today is actively interested in pursuing the potential affluent. For that reason, Shearson has made it a point to establish computer software systems which give it the capability to look at all of the business an individual does with the firm at one time.

"This is a necessary first step toward market segmentation. Otherwise, you don't know where you are in order to begin," noted one Shearson executive, who added, "We are willing to go after people who aren't in the market yet but who we hope will be." He said Shearson's market is the "upwardly mobile mass/class market,"and added that American Express' card holder lists make excellent prospects.

In general, however, most brokers, as well as most bankers and a majority of each category of company represented in the Marketing to the Affluent survey — a total of 81.7% of those responding to the question — do not have any special programs in place to target the potential affluent, such as young medical, legal or professional students.

This attitude receives a great deal of scorn, even among those who responded that way. One broker, for example, notes that "the oil companies manage to get kids when they're just out of college. They're way ahead of all of us when it comes to marketing to potential affluents.

"There are something like 15 million households where people earn over $40,000, and the banks are the only ones who really deal with those people. Brokers compete intensely for the million or so affluents who do trading. Now, for the first time, they are starting to recognize the other millions and bring them into the financial services world."

This broker says, "The brokerage community has a fixation which says 'wait until you're affluent and then I'll deal with you.' The problem is that they're going to run out of people.

"The pie isn't growing nearly as fast as the eaters," he quips.

It is true that there are far fewer affluents than middle market customers today. According to the latest Census report, there were 83.5 million households in the United States and in only 1.7% of them — 1.4 million — did occupants earn more than $75,000 per year. There were 7.1% — 5.9 million — where occupants earned $50,000-$75,000, and a far greater 29.3%, or 24.4 million, where the household income was $25,000-$49,999.

Remarkably few of the respondents to the Marketing to the Affluent Survey source among the lower income ranges for potential affluents. One notable exception is a large insurance company which today spends more advertising and attempting to lure these individuals than on advertising to the affluent.

For the Potentials

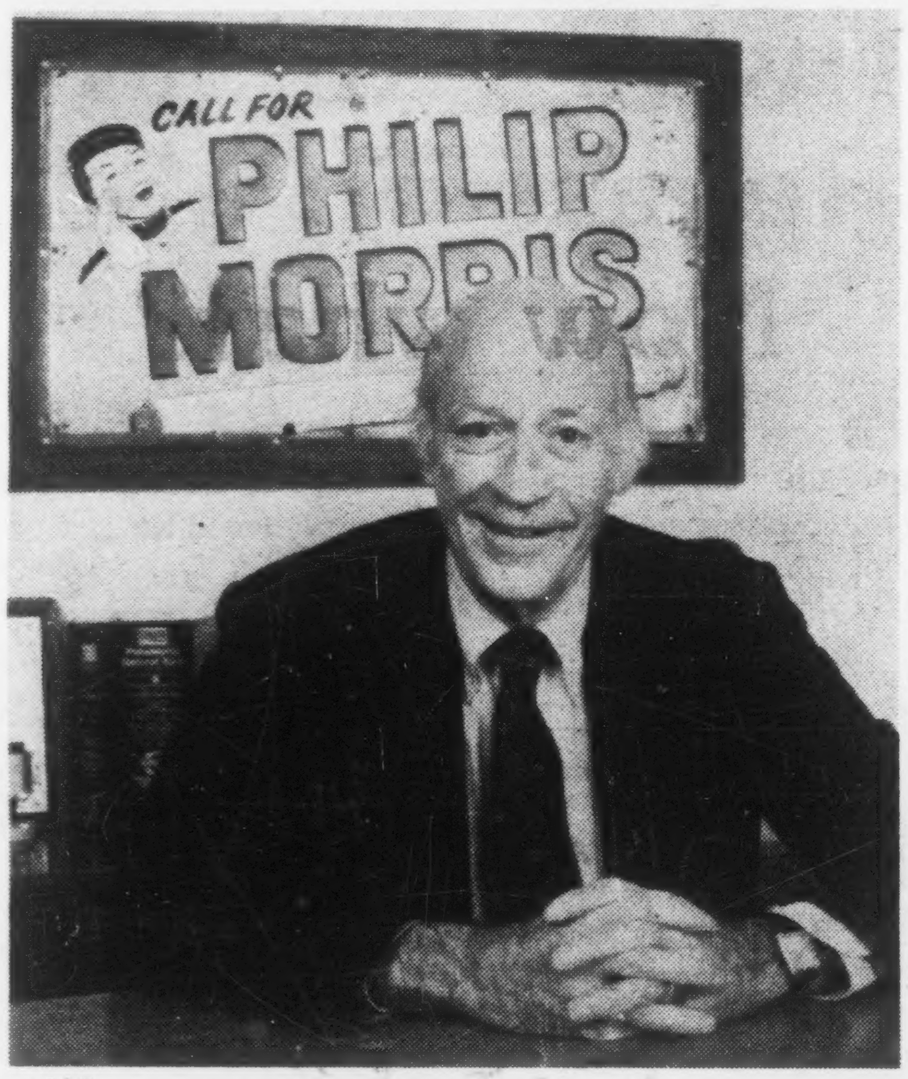
Among the banking companies, marketing directly to potential affluents from private banking programs is also notably deficient, but several of the large New York banks do have branch programs in place that serve customers differently, based on the amount of money they have on deposit. Several bankers said these amount to programs for potential affluents.

Marilyn Barnewall, president of the MacGruder Agency, a Denver-based affluent banking consultancy, explains the banks' lack of more direct attention to this market segment by saying, "Its easy to see what's there, but much more difficult to deal with someone's potential.

"Banks don't know how to play the odds. They know that 80% of all medical students will one day become wealthy physicians but they don't know which 80%, and are reluctant to solicit any for fear they'll wind up with the 20% who won't be affluent."

With brokers going downscale, banks going upscale, insurers centering services on attractive planning packages, and mutual fund groups beginning relationship consolidation efforts, the potentially affluent consumer will possibly become a much more valued commmodity in the future than he has been in the past. ■

"Creative ideas get my attention. Wasting my time gets me mad."



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We like to say banks are our partners. In fact, it's not an exaggeration to say we can't live without commercial banks. We have approximately 80 line banks…and deal with about 160 banks worldwide.

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We demand excellence in everything. We demand it of ourselves in our products, our operations, our marketing and our management. And we demand it in our banks.

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Creativity and responsiveness.
We define excellence with two words: creativity and responsiveness. Experience has shown that without these two qualities a bank can't do very much for us…or probably anyone else, for that matter.

The banker that comes into my office and says, "What can I do for you today?" really turns me off. He wants me to turn handsprings just because he's there. Well, it's not going to happen!

But the banker who comes in with creative ideas…who has a plan that can help us do business better…well, he's someone we want to talk to. We are very receptive to a good idea…even if we aren't presently doing business with that bank.

The other thing we need is responsiveness. If we go to a bank, we expect to get a response! It doesn't have to be positive. But we need a response right away.

Our problems are your opportunities.
Of course, to respond quickly, our bankers have to know all about us. Well, we work hard to let our banks know.

But communication is a two-way street. We want…we *have* to know what's going on in your bank. The calling officer who can take our ideas and run with them…come back quickly with better ideas…get a *decision* from his bosses…well, this is a banker who's going to do well with us.

We bank where we work.
We're continually expanding…building or buying into all kinds of places. It's darned important to have a bank…a local bank…that can be responsive to our needs.

The local banker is probably the most important citizen in town, particularly in the smaller towns. For example, when we went into Eden, North Carolina, we didn't know a soul there.

But the banks introduced us around. They helped us meet the right people and get accustomed to the area. They helped us and now, I dare say, we're helping them.

Be aggressive. Be accessible.
Our business depends on strong marketing. But the banking business is no different. If you simply follow the others you'll never get our business. *We* try new ideas. And we listen to the marketplace. But some banks try to dictate to the marketplace. That simply isn't going to work anymore.

We want banks to come to us. But we're not shy about looking for good banks, either. That's where we often use the Polk's Bank Directory.

We break out the Polk's.
Before we went into Trenton, Ohio with Miller Brewing Company, we broke out the Polk's Bank Directory. Now, it's pretty hard to find Trenton on the map, much less know who to bank with. So before we went out there, we did a detailed study of the banks, and we knew exactly who to call on. Without Polk's, we would have had a very difficult time.

There's no question that the more information a bank reports in Polk's, the easier it is for the corporate financial officer to find what he's looking for. This kind of information is vital!

Before you can be creative, you have to be informed. To respond quickly, you have to have accurate information. We pride ourselves in knowing what's going on…and expect this from everyone we deal with. That's why we frequently turn to Polk's Bank Directory. Polk's has the answer.

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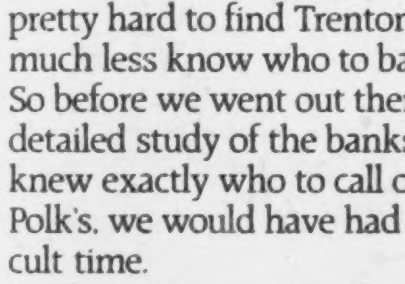

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Almost Half of Financial Firms Target Affluent, Survey Says

Continued from page 19

market to the affluent living overseas.

Of those respondents which market separately to the affluent, only two insurers, three thrifts, two small regional banks, two medium regional banks, and none of the finance companies and stock brokers, said they have separate facilities for affluent customers. Conversely, all 15 of the large banks have special facilities for affluent consumers. (The stock brokers, whose services are all delivered personally, have their own ways of dealing with preferred customers.)

The two insurance companies which have special facilities are both financial planning efforts. One has a program providing specialized assistance to affluent consumers through local insurance agencies but utilizing private offices, and the other, a completely independent financial planning pilot project.

The three thrifts with separate facilities all have programs at a branch level designed to get high-balance customers to consolidate their banking business by offering special personnel to help meet their needs. These customers are identified by the size of the balances they keep, as opposed to net worth or income criteria.

Another thrift is offering a money management account to compete with the securities industry's rash of "cash management clones," as Edward Furash, the financial services consultant, likes to call them. The thrift requires a balance of $5,000, considerably below the $20,000 floor that is most popular with securities firms. The program provides unlimited check-writing, access to investments in stocks and bonds, a Visa gold card, bill paying by telephone, and automatic transfers to IRA and Keogh accounts.

Among the four finance companies that responded, the most frequently mentioned type of program for the affluent is the second mortgage credit line or home equity line. One firm also mentioned large unsecured credits of up to $50,000 and jumbo first mortgages of $500,000 or more, as well as executive relocation services.

The finance company respondents, as a group, desire a lower level of affluence than the rest of the intermediaries. All four reported minimum incomes of under $60,000 a year.

Finance companies were the first of the major competitors to recognize the profitable opportunity provided by large second mortgage loans and began several years ago to move in that direction. Now they face stiff competition from banks, brokers, and some mutual fund groups also offering the product, and at least one insurance company would like to. ■

Worth Reading

Compiled by Louis C. Leventhal

Customized Credit for Executives, by Marjorie Siegel Lyons. Banks are becoming increasingly innovative in the loans they will make to attract the affluent customer — from a line of credit that can be activated by phone to providing bridge financing for a relocating executive who needs interim financing for a mortgage. Many banks view such clients as small businesses, granting them the attention and privileges of corporate accounts. Dun's Business Month, New York, February 1983, p. 121.

Financial Self-Portraits: A Cost-Effective Way to Reach the Affluent Market, by Lewis Mandell. Mr. Mendell details a highly structured format for a planning seminar, one that can be advantageous for both the bank and the upper-middle income customer who wants one-to-one financial planning and counseling. He also stresses the need to train bank service representatives to cross-sell services. Bank Marketing, Chicago, March 1983, p. 9.

Have Banks Been Oversold on the Affluent Market? by Robert L. Kramer. Is the affluent market segment too small to pursue profitably? Are these customers more costly to serve? Are there too many competitors for this clientele? Is there a precise definition of what the upscale market is? These are all questions that need answers before a bank enters the fray for this market. Bank Marketing, Chicago, March 1983, p. 14.

How Banks Lure the Rich, by Jeremy Main. Mr. Main looks at the programs of banks with a history of service for affluent customers (Morgan Guaranty, U.S. Trust Co.) and at the efforts of mainline giants such as Citibank and Bank of America in luring the affluent. Perhaps, as Wachovia Corp. and some bank consultants think, a middle class marketing strategy makes more sense. Fortune, New York, Nov. 1, 1982, p. 60.

Local Banks Offer Specialized Services to Lawyers: A survey of programs that banks and savings and loan associations in the Washington D.C. area offer to fit the needs of an attorney's personal and professional life. Of particular interest are the descriptions of services provided by new banks, such as the Enterprise Bank, organized with professionals and businesses specifically in mind. Legal Times, Washington, D.C., October 1982, p. Supp-A5.

For copies of these articles, please contact the publication cited.

Business Yarns & Legends from SAF - #9

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One-Stop Shopping for the Affluent: Who Really Wants It?

More Bank and Thrift Executives than Nonbankers Think Meeting All Financial Needs Is Vital

There is a striking difference of opinion among executives who work at banking institutions and those who work at nonbank financial services firms over the importance of offering one-stop shopping for the affluent.

This became apparent in their responses to a question delivered as part of the American Banker's Marketing to the Affluent Survey, which is being published today in this edition.

When asked if, in their opinions, it was important for their companies to meet all of the financial service needs an affluent person has, some 71.4% of the nonbankers said "no." These included respondents from stock brokerage firms, insurance companies, mutual fund groups, and finance companies.

But 72.5% of the executives who work at depository institutions, commercial banks and thrifts, said "yes."

Whence comes this dichotomy, especially in the face of much research that says many affluent people don't want to have all of their financial needs filled in one place?

One stockbroker explains his counterparts' responses by stating, "The brokers have tested the water and have been swimming around in the lake for a long time. We know how deep it is. The banks are standing on the shore and they think they can walk across the water."

An executive at a mutual fund management firm says the banks and thrifts responded the way they did because "the grass is always greener on the other side of the fence. They can't offer everything now and they want to."

To some extent, other responses to the Marketing to the Affluent Survey support these conjectures.

When asked what products they most desired to offer the affluent which they now weren't, more bank executives responded than nonbankers. Mostly, they want to offer mutual funds, tax-sheltered, advantaged, or tax-free investments, tax planning, insurance, cash management-type accounts and discount brokerage services.

What Banks Want

The most desired products for those nonbankers answering the question were a cash management-type product, mentioned by two insurers, two mutual fund executives, and one finance company executive; and discount brokerage by two insurers. One other insurer would love to offer letters of credit, mortgage loans, and certificates of deposit, but other than that fellow, and one broker who wants to offer trust services, they all seem pretty happy with what they have or can have if they exercise current legal options.

The products most desired by the banks are in many cases those which nonbanks consider their principal lures for the affluent. After personal and high quality service, which was commonly mentioned among both banks and nonbanks as the most important lure to the affluent, nonbanks mentioned most frequently professional financial planning, tax shelters, tax-advantaged investments or tax planning and advice, and investment management performance. Also, insurance was mentioned frequently by insurance companies.

Conversely, the major response from the banks was credit — of every conceivable kind. Whether it was sophisticated, creative, flexible, secured, unsecured, revolving, large, or constantly available, the answer from the banks was credit, overwhelmingly.

A look at the list of products now offered by each type of intermediary provides additional credence to the theory that commercial bankers are frustrated by nonbankers being allowed greater entry into the banking business than they have into insurance, mutual funds and other nonbank lines of business. It also provides an interesting glimpse into the current level of competition and cross-fertilization that is occurring among the industries and verifies that, when a financial services company is permitted to offer just about anything it wants, it will.

Bank and thrift executives seem to have a greater desire than nonbankers to meet all financial services needs of the affluent. Perhaps that is because today banks are legally prevented from doing so.

The financial services competitor which checked off the most product categories on the Marketing to the Affluent questionnaire was Empire of America, a federally chartered savings association headquartered in Buffalo with 121 retail outlets. In four of those, Empire will this fall place one-stop-shopping booths selling insurance and offering real estate brokerage and full-service stockbrokerage services.

It was logical that the survey would find a thrift offering the largest product line, because thrifts can legally themselves — or through subsidiaries — offer more products today than any of the other competitors. Empire, for example, offers universal and variable life insurance in addition to property and casualty coverage. The thrift also offers tax shelter screening and tax shelters, full-service stock brokerage, executive relocation services, annuities, a cash management-type account, portfolios including options and futures, telephone bill-paying, remote access to funds, letters of credit, and all of the other traditional deposit and lending services most banking companies have on the shelves.

Several of the brokers which answered the survey offer insurance, annuities, portfolios with options and futures, individual retirement accounts, precious metals sale and purchase, estate management, special trust

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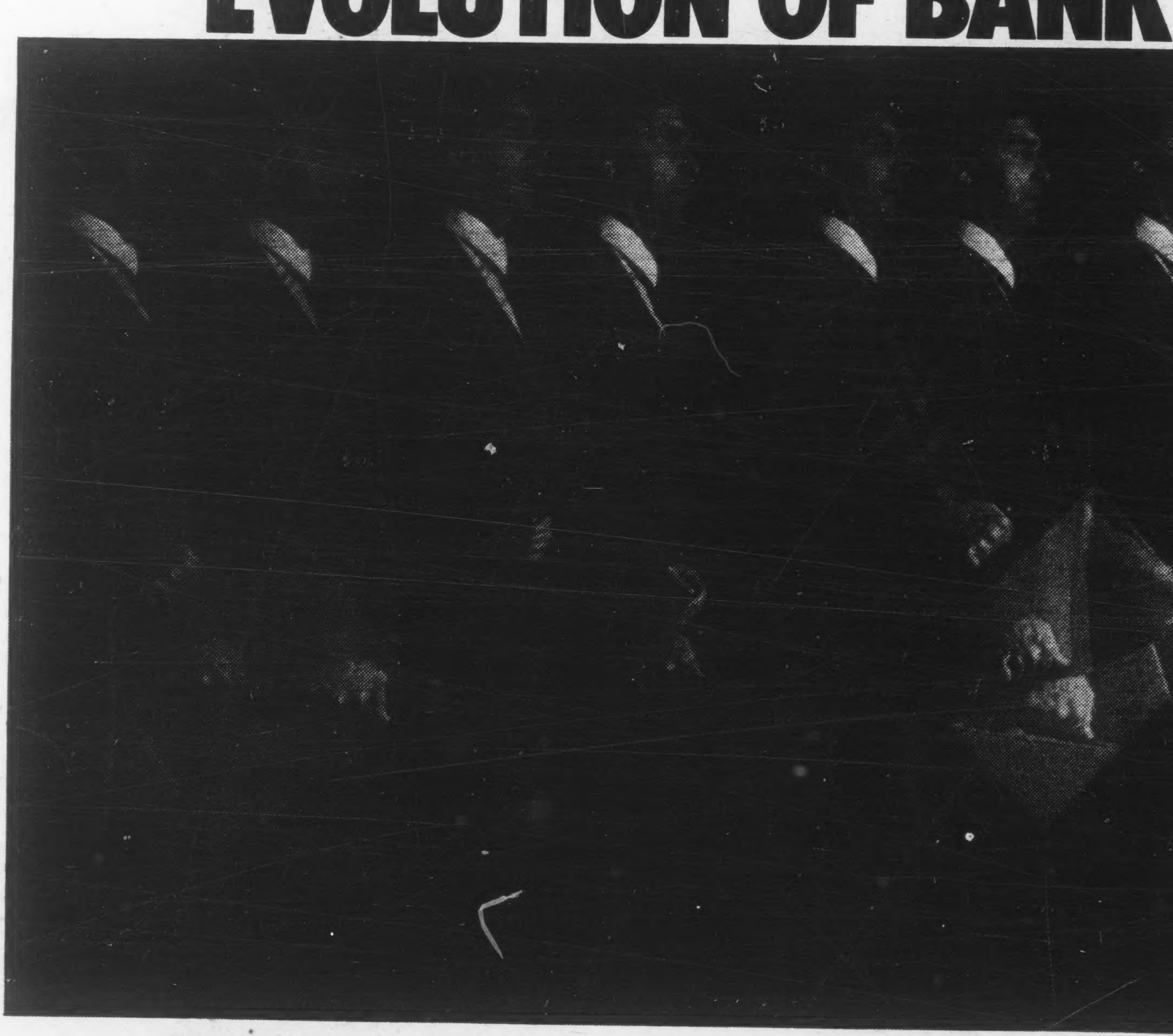

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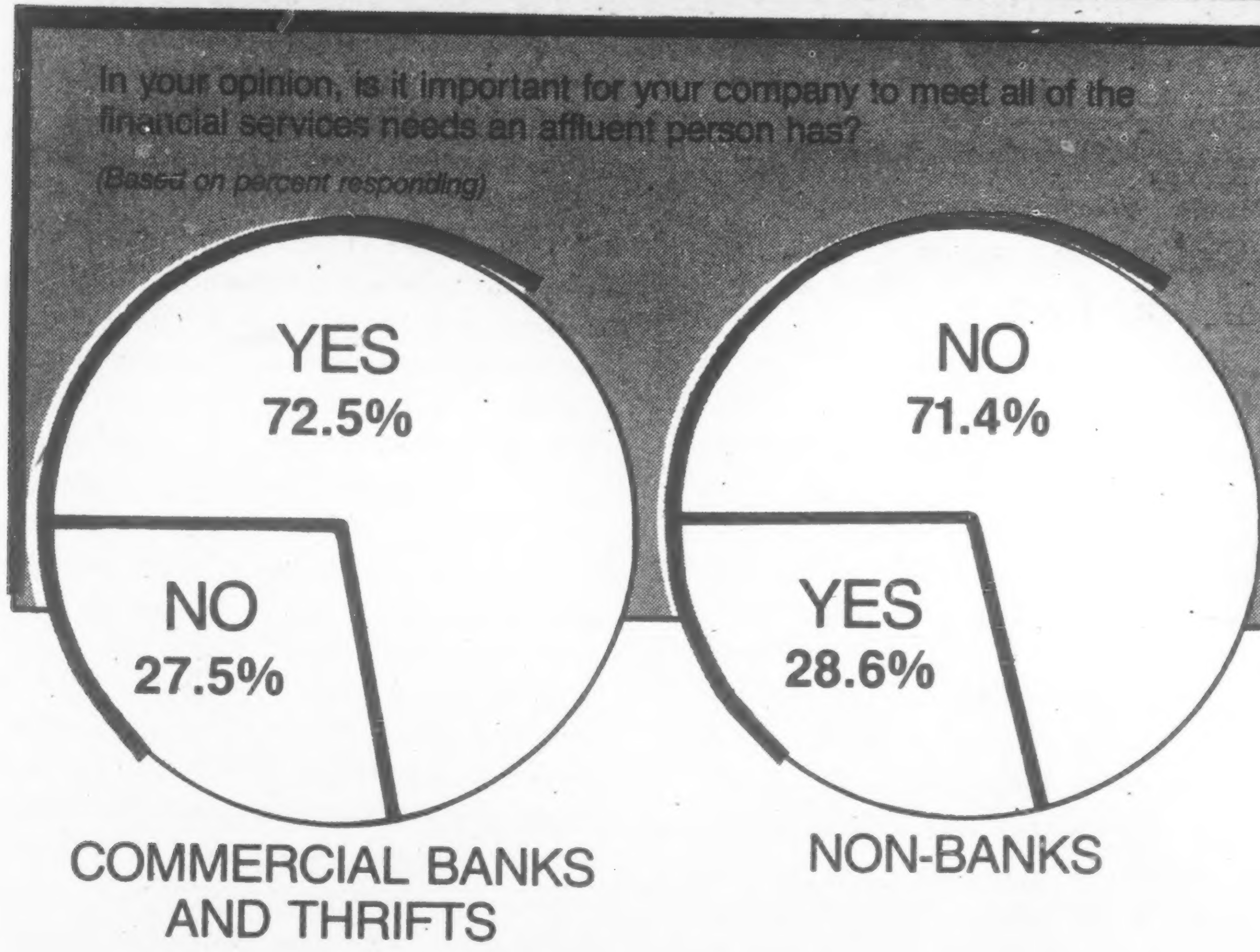
One-Stop-Shopping For the Affluent?

In your opinion, is it important for your company to meet all of the financial services needs an affluent person has?

(Based on percent responding)



How Each Industry Reacted

	YES	NO
Insurers	3	11
Stockbrokers	3	3
Mutual Fund Managers	1	3
Finance Companies	1	3
Thrifts	5	2
Small Regional Banks	6	1
Medium Regional Banks	7	4
Large Banks	11	4

AMERICAN BANKER / 1983

One Stop . . .

Continued from Previous Page

services and second mortgages.

Additionally, three of the six who responded to the survey offer bank and thrift money market deposit accounts, and four offer bank and thrift certificates of deposit.

Conversely, none of the banks offers full-service stock brokerage and only those few grandfathered under current law offer insurance services of any kind. Additionally, far fewer commercial banks offer cash management-type accounts than do brokers, insurers, and mutual fund managers. None offers annuities and few offer mutual funds.

All of this data appear to support the contention that it is far easier — legally, technically and financially — for a broker to sell vast quantities of bank or thrift certificates of deposit and money market deposit accounts than it is for a thrift or bank to break through the walls of its branches and build separate offices for stockbrokers or insurance agents.

There are far more brokers and mutual fund groups selling banking products today than there are banks providing full-service stock brokerage or selling mutual funds to their customers.

It is no wonder the bankers answered the question on filling all the needs of the affluent the way they did. Most perceive it as necessary to offer a full product line simply to compete on an equal footing with nonbanking firms today.

After all, banks do like to promote themselves as full-service institutions.

—Laura Gross

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The Marketing to the Affluent Revolution Spreads from the

The affluent marketing revolution that has been sweeping the nation's largest banks for the past five years is beginning to spread to many of the medium- and some of the smaller-sized regional institutions throughout the country.

Furthermore, over the past year there have been a number of changes made in existing programs at large banks which market to the affluent. Most notably, these involve efforts to more fully integrate private banking programs so that all personnel report to one department head.

Such improvements yield a higher morale among employees, less infighting over whose customer is whose, and increased cross-selling of the bank's products and services.

These are some of the findings that have resulted from the third Marketing to the Affluent Survey done by American Banker on the nation's largest banks. The survey was first accomplished through telephone research in 1978; via questionnaire to the 100 largest banks in May of 1982; and, most recently, last August, through a questionnaire sent to the 20 largest banks as well as a sample of 20 smaller and 20 medium-sized regionals with diverse geographic locations. The August survey was also sent to the 120 largest nonbank providers of financial services to determine the extent to which these stockbrokers, mutual fund firms, insurers and finance companies market to the affluent.

Of the 20 medium-sized regional banks queried in the Marketing to the Affluent Survey, 11 said they have established criteria to identify the affluent market.

Included in these responses are two sophisticated private banking programs akin to those provided by some of the largest banks in the nation where special facilities and personnel are set aside for the wealthy. These programs, both of which consolidate all personnel for the affluent in one department reporting to one officer, are located at the Rhode Island Hospital Trust National Bank and the Third National Bank in Nashville. Because they consolidate personnel in this manner, such programs are called fully integrated private banks.

Relatively Young

Like most efforts to market to the affluent going on at the other medium- and smaller-sized banking firms, these programs are relatively young. Rhode Island Hospital's is only nine months old and Third National's is just beginning this fall.

The oldest program among the mid-sized regionals is a one and a half year old liaison program providing personal contacts for the affluent at selected locations within a large branch system. In this type of program, contact people provide liaison between the customer and lending, trust and investment personnel.

In addition to the two private banks and one liaison program, one mid-sized bank reported a three-month old effort to identify the affluent by having employees perform financial reviews in branches. Another has been delivering lending and investment services to customers with more than $40,000 on deposit via branch administrators and commercial lenders and is in the process of reformulating that program.

One medium-sized regional also reported a money management account program, two more reported liaison programs in formation and three others reported general efforts to identify the affluent but nothing specific in terms of special facilities or personnel.

Even small and medium-sized regional banks are marketing to the affluent these days. And there have been some major changes in upscale banking programs offered by the nation's largest commercial banks, reports the Marketing to the Affluent Survey.

Among the 14 of 20 smaller regionals which responded, six said they do nothing special for the affluent. A few mentioned as reasons existing programs for the affluent at larger banks in their marketplaces, and several cited a lack of expertise to develop the sophisticated products necessary to serve a market which represents such a small percentage of their customer bases.

Of the seven smaller regionals which supplied criteria for determining affluence, one reported a three-year old fully integrated private bank requiring a yearly household income of $100,000, net worth of $200,000-$300,000, and deposit balances of $200,000 as criteria. Another has a similar program but for households with yearly earnings of $50,000-$60,000, net worth of $100,000-$200,000 and $25,000 in deposit balances.

The other five include assorted efforts to better identify and serve the affluent at a branch level, a six-month old, nonintegrated private banking effort without special facilities, and an investment-oriented program for those with a minimum of $100,000 to invest.

As was the case with large banks when they started private banking programs several years ago, small and medium-sized institutions which are at that point now, report the same kinds of problems: turf protection by deposit, lending, and investment departments, developing competitive products, and training employees.

For the first time since the Marketing to the Affluent survey has been done, nonbank competition and the slowness of regulatory and legislative change were mentioned as problems facing affluent marketing efforts. While only one of the medium banks said nonbank competition was a problem, three of the large banks mentioned it, specifically in terms of the products nonbank competitors can offer that they, the banks, cannot.

While only 15 of the 20 largest banks in the nation responded to the survey

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Nation's Largest Banks to Small and Medium-Size Regionals

this year, most of the others do offer some special services for the affluent ranging from cash management type accounts to private banking.

All of the 15 which responded have separate marketing efforts for the affluent and separate facilities for them.

Except for one finance company and a thrift, commercial banks were the only firms surveyed which make unsecured personal loans of more than $50,000. And they were the only ones which provide separate lenders for loans that size.

Eight out of the 15 large banks said that unsecured loans of more than $50,000 represent a significant portion of their lending business with the affluent and five of those have separate lenders just for this size loan.

Large banks are also the only group, besides brokerage houses, which nearly en masse markets to the affluent living overseas. Of the 15 largest, only Bank of New York and InterFirst Bank Dallas say they do not.

Chemical Bank in New York has made a strongly concerted effort to market to the overseas affluent, primarily through personal calls, and reports that today 20% of its affluent customer base is made up of foreigners living abroad.

Changes at the Large Banks

There have been a number of changes made in many of the large bank's private banking efforts in the past year, primarily aimed at more fully integrating all specialists necessary to serve the affluent.

Chase Manhattan Bank, for example, has integrated all services to provide banking, financial advisory, asset management, estate analysis and planning and settlement through one strategic business unit. Hans P. Ziegler, senior vice president, reports that the company's thrust now is to look outside of New York State for affluent individuals. He mentioned Florida, where Chase has already has a trust company subsidiary, and other locations.

At First Chicago, there are still three divisions providing service to three affluent market segments, the women's center, the executive and professional center, and the private bank, but personnel working at each have now been integrated along with personal trust employees into one group, the personal financial services group.

According to one First Chicago executive, this plan has increased cross-selling and communication as well as providing for better morale among employees of what used to be separate divisions.

At Bankers Trust Co. in New York, G. Lynn Shostack, senior vice president, for the past two years has busily been building a fully integrated private bank to take care of the only retail business the bank does — with the affluent. During that time, the entire retail bank has been restructured and most of its branch system sold off. Only four branches remain to be sold, which will leave eight branches and one main office location for the affluent.

Nine Offices

Ms. Shostack believes that hers will be the first private bank with a "totally dedicated distribution system" of nine offices just for the affluent. Bankers Trust, when the last nonaffluent branches are sold, will have eight New York City locations, one White Plains location, in neighboring Westchester County, and a Florida trust company from which to serve affluent needs. While Ms. Shostack is right insofar as New York is concerned, Citibank has 16 private banking offices outside the state of New York, the most listed by any of its peers.

Continental Bank, rather than unbundling its trust department into corporate and personal trust and lumping personal trust with private banking, as many of the other large banks have done, has kept its trust department intact and moved its executive financial center into the newly named private banking, trust and investment services department.

Roger H. Sherman, senior vice president in charge of the new division, says he thinks doing it this way will increase referrals between all of the components of the new division.

Like Citibank, Continental will utilize either trust, banking, or investment personnel as the affluent customer's personal contact, depending on what service the customer uses most and what his or her needs are.

At Manufacturers Hanover Trust Co. in New York an increased focus has been placed on credit "as a means of offering the affluent one of MHT's greatest strengths," according to its survey questionnaire. The program has become more credit-driven than when it first started two years ago and was primarily retail-driven. Mellon Bank in Pittsburgh has also refocused somewhat in the same way with greater emphasis placed on the credit needs of the marketplace.

Triple-Tiered Break

In addition to private banking programs, many of the largest banks have branch programs in place to identify and specially serve affluent individuals maintaining large deposit balances. Irving Trust Co., Chase, and Citibank are examples of these. Irving has a triple-tiered deposit-break for serving customers and different levels of personal bankers working for each segment. Citibank uses $25,000 as a minimum cut-off point for "priority services" in its branches.

Executives at these institutions report that their referral systems are beginning to have the desired effect: private banking customers have started to percolate up through the branch network. Bankers say that this new developement which has occurred over the past year, is largely due to increased communication among branch personnel and private banking groups.

The same process also works in reverse, where private banking customers filter down through the private bank to the branch system if it is discovered they are really just transaction-oriented individuals who have no need of sophisticated private banking services.

Paul Muller, vice president at Irving, says feedback tells him the personal

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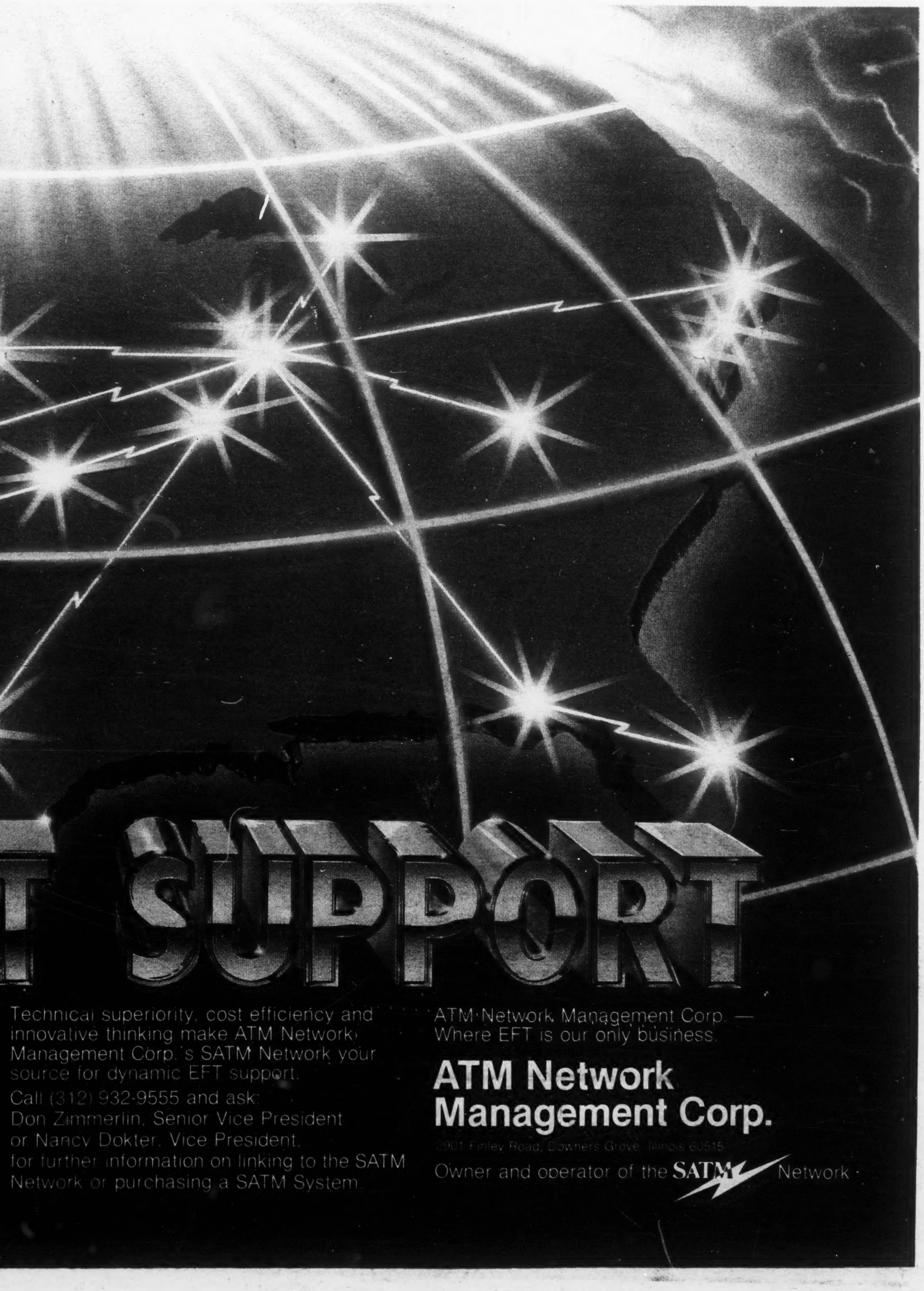

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Personal Service Wins Over Range of Products, Advice, Rates, Convenience, Among Reasons Why Affluent Switch Firms

What causes the affluent to move from one financial services company to another?

"More personal service" is the answer supplied more than any other response by participants in the American Banker's Marketing to the Affluent Survey.

Results of the survey, which included banks, stockbrokers, insurers, mutual fund managers, thrift institutions, and finance companies, are being published in this edition.

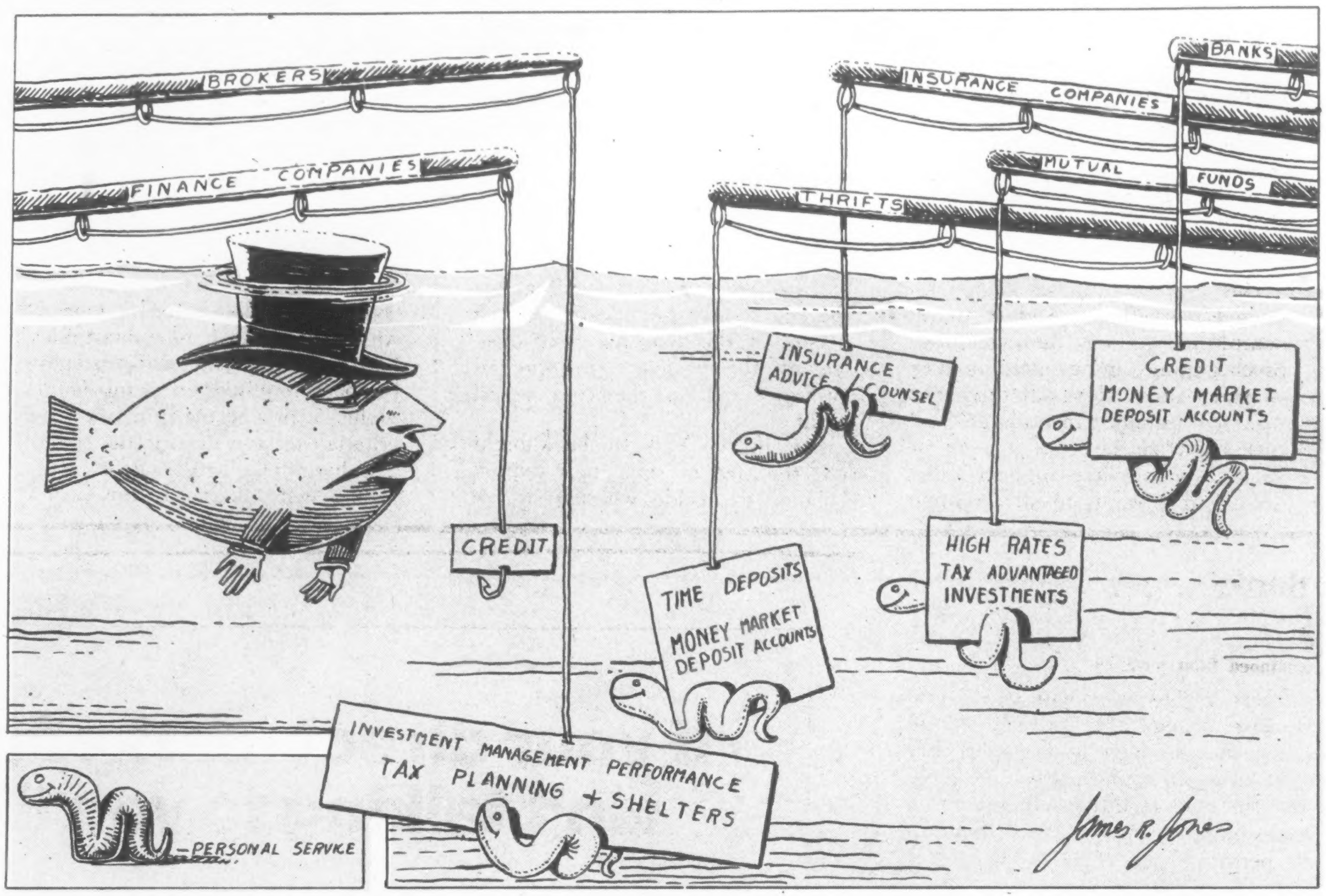
Five choices were given as answers to the question, "What do you think causes an affluent customer to move business from one financial services provider to another?" The choices were "range of products provided," "more personal service," "more or better financial advice," "greater convenience of facilities," and "monetary factors (higher rates/lower fees)."

Many of the respondents checked more than one of the choices, with "more personal service" receiving the majority of 39 votes.

Following personal service — which was clearly the runaway winner — were "range of products," "more and better financial advice," and "monetary factors (higher rates/lower fees)" which came in at 29, 28, and 27 votes respectively, in a near-tie for second place.

Only "greater convenience of facilities" finished a poor third with 17 votes, nine of them among the small and mid-size regional banks.

Eight insurers and six small banks voted for "monetary factors," compared with nine insurers and four brokers who checked "more or better financial advice."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PERSONAL SERVICE
James R. Jones

Nine votes from large banks were for "more personal service," and seven were for "range of products provided," also chosen by six insurers.

Large banks had more additional opinions about what causes the affluent to move from one company to another than any of the other participants.

Eight wrote in such responses as "quality of service," which was cited on two large bank's questionnaires, "negative experience with other institutions," "perception of superior investment performance," "credit availability," "prestige factors," "personal referrals," and "personal relationship with account officer."

An insurance company executive who didn't like any of the other choices wrote in, "they don't like having all their eggs in one basket."

"Quick response" and "knowledgeable officers" were responses from medium-size regionals, "credit flexibility" came from a thrift institution, and "reputation and stability" came from a smaller regional bank.

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Market Segmentation: What Is It and How Do They Do It?

Everyone is marketing to the affluent.

But all of the players have different ways of deciding to whom they want to market.

In general, each uses some form of market segmentation on the consumer population. This means that the various intermediaries find "niches" or "like" groups of consumers within the population that they think they can best serve, and then design products to meet those particular consumers' needs.

This practice is also known as "target marketing." And it is accomplished along demographic, psychographic, and geographic lines — many times along all three.

Say, for example, that a large New York bank has heard that a lot of wealthy people live in Scottsdale, Ariz., and it wants to attract some of their trust and credit business. The bank has first used a geographic segmentation on the consumer market to decide to open an office in Scottsdale.

Then, it must decide what income and net worth levels people need to qualify for the special services being sold in the Scottsdale office. These are demographic criteria. Further, it might use its own internal data or that of other banks — such as loans outstanding, for example — to identify high-rolling borrowers.

And it might also use psychographic segmentation, deciding that the active, investment-oriented rich person is the one for Scottsdale, leaving the passive, trust-oriented customer out in the cold desert night.

Back in New York, the bank might use the size of someone's deposit balance to decide whether or not that customer should be specially served at a branch level. Beyond that, the bank would use income, net worth, credit needs, and other criteria to determine if an individual who is being differentially served by branch personnel really belongs in the more sophisticated private banking program where there are investment counselors, trust officers, and the like.

While this might be an extreme example, it does show how banking companies generally apply the precepts of market segmentation. In most cases, large banks in this country apply many criteria, none of which are usually hard and fast rules, barring perhaps the size of deposit balances required for admission to exclusive private banks. Even those criteria can be waived in the case of a million-dollar trust customer.

In general, financial firms such as big banks and brokers, which are interested in investing large amounts of money for wealthy customers, rely heavily on net worth and the size of someone's investment portfolio as criteria.

Those most interested in making loans to the wealthy may use credit needs or loans outstanding as a key determinant.

Stockbrokers use net worth, yearly income, size of investment portfolio, and annual brokerage commissions to decide to whom to market.

Insurers use income, mostly, because the ability to pay insurance premiums relies in large part on current income flows. Finance companies also use income, for the same reason, insofar as it also applies to the ability to pay back loans.

—L.G.

Banks . . .

Continued from page 25

bankers are happier with their jobs because Irving's triple-tiered system allows them to move up grades as they gain increased sophistication. Irving is still the only institution that concentrates on providing this career path for its personal bankers. •

Actives vs. Passives

In general, Marilyn Barnewall, a consultant to affluent banking programs, thinks that "the large banks are at least 175 degrees closer to where they should be in marketing to the affluent than they were five years ago.

"But this emphasis many place on credit is only appealing to the credit-driven, active-investor side of the affluent market and they may not realize that. This group represents only half of the affluent segment. The other half is the passive-investor affluent, made up of nonrisk-oriented individuals who love their trust bankers, want financial planning, high rates, and investment accounts."

Only four of the 15 large banks say they use credit needs as a criterion to determine eligibility in affluent banking programs, and most of those use $100,000 as a cut-off point.

But Bankers Trust, Chase, Chemical, First National Boston, Mellon, and Manufacturers Hanover all mention that they target entrepreneurs as part of their private banking efforts. Entrepreneurs most frequently are attracted to private banking programs for the creative credit they offer.

That is not to say that these programs target only the actives, although there are perhaps more of those in large eastern cities, especially New York, than anywhere else in the country.

One Chemical executive noted that "we see more credit-driven than trust customers, but both are important to us. We want relationships with them, not just one-shot product purchases."

Security Pacific National Bank has taken another tack in appealing to yet another affluent market segment: investment-oriented individuals. Security has four California financial management centers offering investment management for individuals with $1 million or more in net worth. Loans and other banking services are provided through contacts in the branch system.

Wells Fargo, which did not participate in this year's survey, also offers an investment counseling service for investors who have several hundred thousand dollars or more to invest.

—Laura Gross

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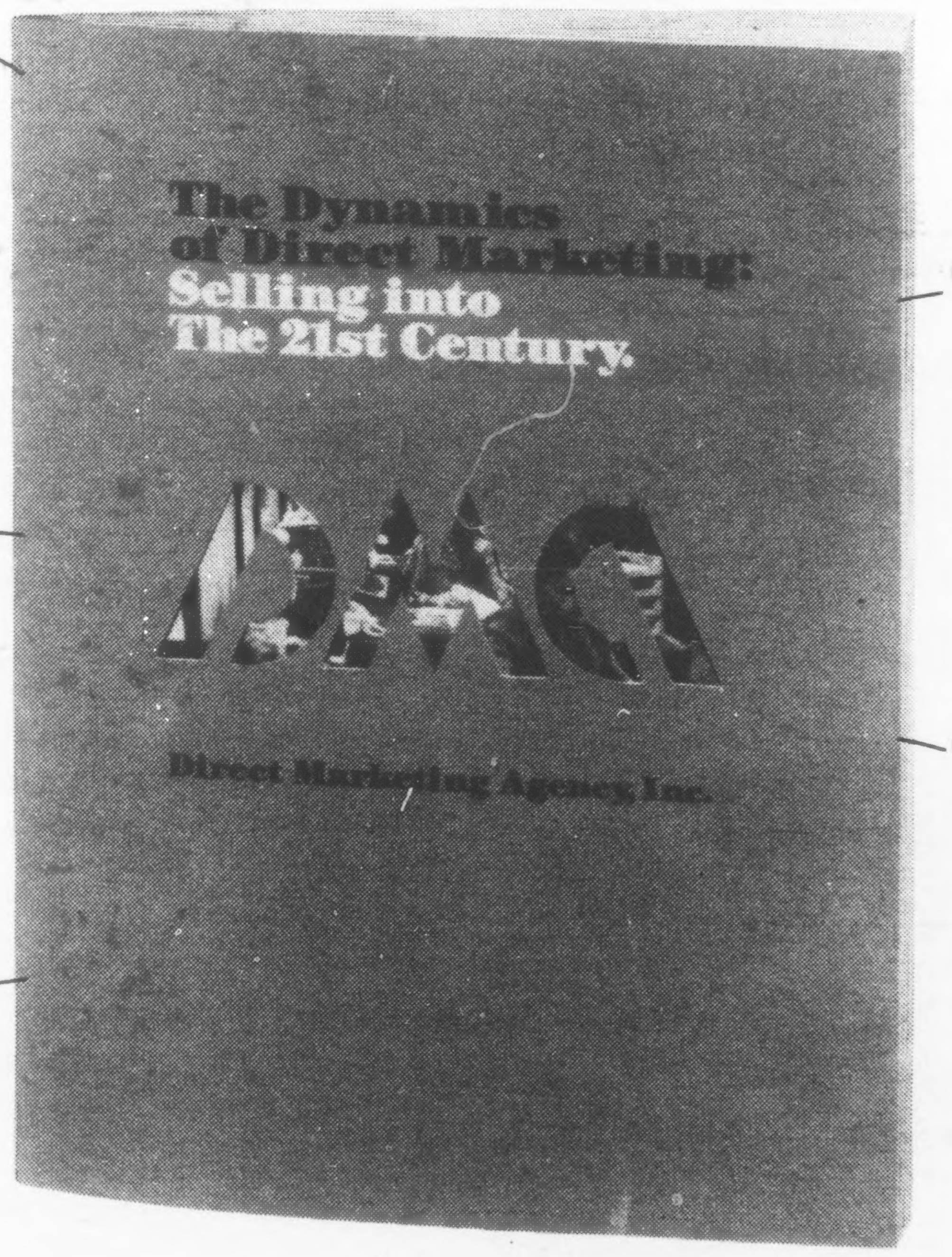

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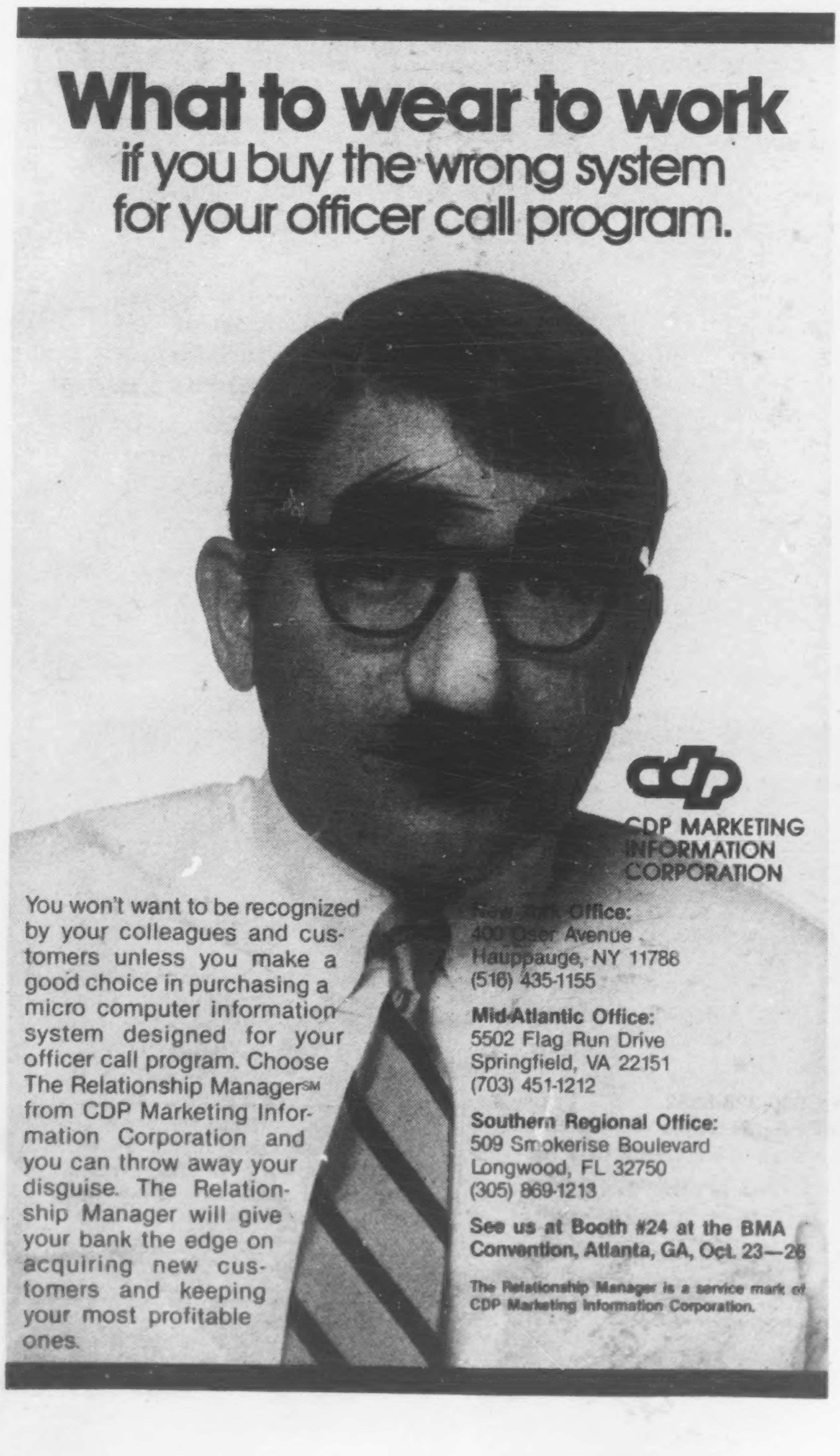
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Japanese Banks Are Still Far Behind

By PHILIP T. SUDO

NEW YORK — Unlike their American counterparts, Japanese bankers are not busy courting the affluent individual in their country — at least not yet.

Nearly all of them begin their remarks the same way: for a segment of customers to receive special products and programs in their group-oriented society would be considered discriminatory, they say.

"We are not ready to declare ourselves in pursuit of the upscale customer," said Hiroshi Kashiwagi, senior officer and economist at Dai-Ichi Kangyo Bank in New York.

"Like American banks, we pursue a profit, and the greater value is in the wealthier customer," Mr. Kashiwagi said. "But we evade that expressed strategy in public."

Such an approach is encouraged by Ministry of Finance rules and guidelines that discourage favoritism in the industry, said Takayoshi Goto, vice president and manager of bank operations for Bank of Tokyo Trust Co. in New York.

Japanese banks have not yet made a big business out of courting the affluent and regard the middle class as their chief market, says Mr. Sudo, a journalist who writes on financial topics.

For example, he said, rates on certificates of deposit and time deposits — which U.S. banks tilt favorably toward the affluent — must be completely the same for all customers, except for a CD designed for corporations for which the required investment is 500 million yen, or $2.1 million.

A Tax Clause

The Ministry of Finance also prohibits retail banks from delving into nonbanking activities such as insurance, securities, or real estate — areas U.S. banks are elbowing hard to get into.

Even if Japanese commercial banks were allowed to provide a product supermarket — as some of their American counterparts would like to — there is a tax factor that discourages the affluent from centralizing their assets with one firm.

A national tax privilege system, known as "Maruyu," allows individuals up to three million yen (approximately $12,900) in savings without taxing the interest earned. Tax on interest accrued above the exempted amount is 35%.

The privilege extends to deposits with the postal service — which in Japan keeps savings accounts for individuals — and to government bonds, leaving a possible nine million yen (about $38,800) tax-exempt.

Thus wealthy individuals tend not to keep large deposits in the bank, but spread their money around, often through accounts in the names of their spouses, children, and relatives to avoid taxes.

Even trust banks, which are allowed to deal real estate, bonds, equity, and cash management accounts, consider the affluent "an important market, but a fringe part of our business," according to Shoji Yamaguchi of Sumitomo Trust & Banking Co. Ltd.

Another reason why the Japanese deemphasize marketing to the affluent, Mr. Kashiwagi contended, is that at this stage in the country's development, their numbers are not significant enough to justify special programs.

"The range between the upscale and lower-scale customer is not as big as in the States; the affluent market is much clearer statistically in the U.S.," he said. "The Japanese bank's benefit is to target the middle class."

Enormous Business

There is enormous business in that middle class, said Toru Nonoyama, executive vice-president of Fuji Bank in New York. Twenty percent and up of the Japanese wage earner's income is placed in deposits with banks, he said.

Ultimately, however, Japanese bankers agree that changes similar to those in the industry here will come to their country.

"We are watching the U.S. as a precedent, seeing how their experiment works," said one Japanese bank economist in New York. "Hopefully, in 10 years, the Ministry of Finance will allow banks the same freedom as the Federal Reserve or Treasury is doing in America."

Masahiko Ishizuka, department editor for the economic newspaper Nihon Keizai Shimbun, said, "I think we will see more and more liberalization of the industry by the Ministry of Finance. The direction is definitely like the one in the States, but the change is more gradual."

For example, in April the Ministry of Finance permitted banks to deal in medium-term government bonds to help raise revenues for the national debt, allowing banks to draw much of the bond business away from securities companies.

Mitsubishi Bank used the bond to create the Mitsubishi Money Capsule, and other banks followed with similar products. The products divide an investment by putting 40% in a deposit account and 60% in a government bond. In 10 years, the original investment doubles, tax-free.

Securities firms, meanwhile, have attracted business away from banks in the last two years by offering something similar to a money market fund, and find its popularity growing rapidly.

These new products, however, were created with the general public in mind, and though popular with the wealthy, were marketed primarily to the average salaried worker.

The affluent comprise a market that is still only rising on Japan's mountainous horizon, said Toshio Mori, chariman of Nikko International Securities.

"The annual income per person is comparable to the western industrialized nations," he said, "but when it comes to assets, the average Japanese is way behind.

"However," Mr. Mori continued, "the speed of (asset) accumulation is much faster in Japan than in other countries, so there's quite a potential market."

Though not as intense as the struggle developing between banks and nonbanks in the deregulated confines of America, competition in Japan for the coming affluent market is taking shape.

One Japanese securities analyst, who asked not to be named, said the natures of the banking and securities industries are such that "we have a distinct advantage over banks in securing the affluent now."

Banks, as a result of their popularity and generally conservative tradition, "are not aggressive marketers," the analyst said, and have failed to explore the affluent, outside of "company ex-

Those in the United States in Courting the Affluent Consumer

ecutives and members of the Lions or Rotary clubs."

By contrast, the analyst said, "we've had to work much harder to improve our position" relative to banks, are more accustomed to doing business with the wealthy, and are actively targeting the coming affluent.

The foremost of such individuals are farmers who sell their land for high real estate prices. In Japan, where the top hundred earners are listed publicly each year, "70% of the rankings turned over last year because of these farmers," he said.

Mr. Kashiwagi said the securities market, once looked upon as too risky by conservative savers, has "gradually gained credibility" in Japan, and securities dealings are now becoming familiar even to ordinary savers, he said.

However, the success of marketing to the affluent "depends on how well marketing techniques are received by the customer," Mr. Kashiwagi said, noting that such popular American methods as direct mail fare poorly in Japan.

Gifts and Meals

Perhaps the most effective technique in Japanese banking is to market through the "calling officer" — bank employees who visit the homes of good customers and solicit accounts from the affluent in their region.

Calling officers may deliver small gifts to customers, take them to restaurants, or collect for certificates of deposit.

> Perhaps the most effective technique in Japanese banking is to market through the "calling officer" — bank employees who visit the homes of good customers and solicit accounts from the affluent in their region. Calling officers may deliver small gifts to customers, take them to restaurants, or collect for certificates of deposit.

According to Noboru Hakii, an economist with Mitsui Bank Ltd. in New York, banks have a distinct advantage over securities firms in marketing through calling officers.

Not only are banks highly esteemed, but some have branches nationwide — hundreds, Mr. Hakii said — from northern Hokkaido to southern Kyushu, giving them an unmatched network of local calling officers.

"At the moment," Mr. Hakii said, "banks are looking at people who recently sold their land or are going to retire from corporations. Frequency of visits is very important in getting their business."

Yet without the product line of American banks to choose from, Mr. Ishizuka said, wealthy Japanese are likely to still spread their investments over such things as deposit accounts, securities, bonds, equity, real estate, precious metals, and art.

The lack of products for the affluent was evident last year, when one of the most popular investments was American: U.S.-issued zero-coupon bonds.

The inexpensive bonds pay interest accrued only when the bond matures. With no regular interest payments, there is no tax; the lump-sum return is considered entirely a capital gain, which is not taxed in Japan.

Gave a Hedge

The actual interest rate for the bond becomes a mixture of the yen/dollar exchange rate and the bond interest rate. With a strong yen, Mr. Mori said, "anything over 8% interest on the bond gave enough of a hedge against the exchange rate loss to make it worthwhile."

Nearly two billion of the bonds were sold last year, he said, prompting the Ministry of Finance to stop sales because they were creating a strong demand for dollars, weakening the yen. The ban has since been lifted, but the dollar's continued strength has left the bond unpopular.

Mr. Mori attributed the bonds' brisk sales last year to, among other things, talk of a new "green card" tax system — a numbering system for individuals that would prevent illegal accounts under the Maruyu tax umbrella.

"A lot of people were enjoying tax-free accounts illegally," he said, "and the green card number would have exposed them."

The green card system was politically unpopular and not employed, Mr. Mori said, but its very specter led to the run on zero-coupon bonds.

Under the present tax system, individuals must apply for the Maruyu exemption through the tax office. Still, illegal deposit accounts under the umbrella are hard to detect, said Mr. Nonoyama, because "the system has gotten so large that "it can't be managed. People open accounts under several different names without being detected."

The Ministry of Finance has considered repealing the privilege to raise government revenues, but bankers say such action would be too unpopular for politicians to pass.

Asked whether tax evasion in Japan was an activity comparable to that in America, Mr. Kashiwagi laughed. "I can't compare underground activities," he said, "but human beings aren't that different." ■

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London's Merchant Banks Getting New Competition

Foreign Rivals Move In, and Those Who Serve Wealthy Must Know Their Way Around Offshore

There is plenty of profit in serving the affluent in London today, and the old-line merchant banks are finding the competition stiff, says Mr. Frenchman, a financial journalist who writes from Britain

By MICHAEL FRENCHMAN

LONDON — When the affluent seek financial advice here, they go, as they have for nearly 200 years, to the hallowed halls of the merchant banks in London's "Square Mile."

But the old-line banking houses, such as S.G. Warburg, Rothschild, Hambros, Lazard Brothers, and Schroder Wagg, have been joined in their pursuit of the wealthy individual recently by aggressive foreign competition.

Most London bankers, like their American counterparts, see investment advice to the affluent as a substantial growth industry. A majority of them put the minimum level of affluence at $150,000 in assets to invest; occasionally $75,000 for a U.K. citizen.

Many of the officials quoted in this story, concerned about identifying themselves in the field's competitive environment, declined to be identified by name.

Part of the reason for the heightened level of competition, some private-client advisers said, is that the pool of affluent individuals in London now includes people from other parts of the world. As a result, increasingly financial expertise requires expertise internationally.

"You can't just demonstrate that you have expertise in the bond market or special situations," said the director of Hambros Bank Ltd., one of the traditional banking houses in London. "These days, in the absence of currency controls, it is an international thing, and the world is your oyster. You must demonstrate that you have confidence worldwide, rather than in a narrow sector market."

> Al Mal was formed "to tap the Arab dentists," Mr. Nashashibi said, estimating the typical affluent customer and Eurobond taker to have $5 million and up in surplus cash for long-term investment. The minimum level of affluence accepted by Al Mal is $3 million.

Likewise, an official in the securities market for S.E. Warburg & Co. Ltd. said: "Economies are growing, which means that people are growing with it. One of the reasons for this is that people are seeking to diversify internationally, whereas previously they tended to look principally at their own markets for investing assets."

The global scope gained in importance when a wave of individuals from the Middle East came into Europe after the second oil crisis in the late 1970s.

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Hakmat Nashashibi, one such recent arrival on the London banking scene, is chief executive of Al Mal, a leading Arab banking group in Europe that is challenging traditional banks for the affluent business.

During the first six months of this year, Al Mal has been one of the most active Arab groups in straight dollar issues. Since its inception in 1981, Al Mal has managed 40 bond issues worth $2.5 billion and underwritten 180 issues with a total value in excess of $17 billion.

"We have demonstrated over the last few years the need for a first-class Arab investment bank, primarily to service the needs of the affluent from the Middle East," Mr. Nashashibi said. Arab banks now form a substantial proportion on the 275 foreign banks and accepting houses in London officially approved by the Bank of England.

Previously, he said, when the Eurobond market was created in 1965, the typical taker of those bonds was "the Belgian dentist." At that time, Belgium was one of the world's richest countries because of its colonial connections.

Al Mal was formed "to tap the Arab dentists," Mr. Nashashibi said, estimating the typical affluent customer and Eurobond taker to have $5 million and up in surplus cash for long-term investment. The minimum level of affluence accepted by Al Mal is $3 million.

Smooth Sailing

According to Mr. Nashashibi, drawing investments has "all been very smooth sailing." The bank is in a "very superior position," he said, because it can provide "the professional know-how of the West plus the trust of the Arab — which means we can get both his heart and his mind."

In serving the affluent, "the first and foremost thing for an Arab client is the seriousness with which an institution can demonstrate its capability in terms of gaining the respect of other investment banks and investors, both institutional and individual," he said.

"He has to see that you are capable of being an effective financial intermediary, as well as being a competitive one," Mr. Nashashibi continued, "and that you have a superior capability in terms of managing fixed-income securities."

"Our high net-worth investor has a fixation on current income," he said, "more than, say, the 10% which he might receive from a pure bank deposit rate, so he prefers to go for the bond, which is a long-term investment and may give him 11%."

The Al Mal affluent also prefer to put their money with a borrower, he said, because some banks have been having problems with loans to Third World countries.

"He is more interested in the quality of the borrower, so our individual goes for the double-A or triple-A names, the sovereign credits of quality, such as France or Sweden, or international corporate groups," he said.

Societe Generale from France, which specializes in international securities investment, serves the large French community in London. "They appreciate the 'French touch,' " said Jerzy Sciborkaminski, senior associate director and manager of the bank's investment department.

Societe General's international investments are "the meter which provides the reference point [for our success] and the basis for our operations," said Mr. Sciborkaminski.

He added, "We don't have much of the dentist trade now; we have the rich Arab sheiks."

John Magnay, managing director of Arbuthnot Investment Management Services, said London banks are also competing with Switzerland, where he believes most foriegn-based money goes for bank secrecy and tax avoidance.

$375,000 Minimum

Using a $375,000 minumum in net worth as a measure, Arbuthnot concentrates on the market of "retiring English people or expatriates who are perhaps in oil companies or international companies earning $60,000 to $75,000 a year," Mr. Magnay said.

The service also handles Britain's traditionally affluent, what Mr. Magnay describes as the rich English businessmen who inherited wealth and "were probably doing other things and did not have time to look after their portfolios."

But such a market grows only slightly, he said, and to attract the newly wealthy, the traditional banks of London — much like those in America now — are having to compete with the securities industry.

"The younger generation who make their money today make it in industry and commerce and probably want to manage it themselves through their stockbrokers," Mr. Magnay said. "So you have to have a very good reason for coming to a merchant bank — better service, the personal touch, and a backup documentary service."

A member of N.M. Rothschild & Sons Ltd., founded in 1803 and one of the oldest merchant banks in the city, said, "One of our strong points is that we do offer what I term a 'private client service,' in other words, a very large comfort factor.

"We look after our clients, we make sure exactly what is going on, we tell them the whys and wherefores, we meet them regularly. It is not just an investment advisory role; it is very much an 'homme d'affair' role."

The bank, which, like Artbuthnot, uses $375,000 in net worth as a minimum figure of affluence, stresses excellent service because it has a policy of seeking wealthy customers on the personal recommendation of existing clients. "Quite clearly, our clients know other people who are wealthy and they talk about our service if you have given them good performance," the Rothschild spokesman said.

One area of specialized development for Rothschild has been in international currency management, where the knowledge used in serving large business groups and multinational corporations carries over to the affluent individuals.

Also, because of Rothschild's long-established connections with the London bullion market, it offers advice on gold and commodities investment — unusual for a bank because of the high-risk factor. "But we have taken our expertise on that side [the bullion market] and channeled it back into our investment capability," the Rothschild member said.

Venture Capital

Schroder Wagg & Co. Ltd., another leading merchant bank group, also emphasizes its traditional contacts. "For example," one director said, "if someone wanted to become a member of Lloyd's of London, we would put him in touch with what we considered to be the best of the Lloyd's underwriters."

> The service also handles Britain's traditionally affluent, what Mr. Magnay describes as the rich English businessmen who inherited wealth and "were probably doing other things and did not have time to look after their portfolios."

The bank is particularly keen on venture capital these days, and although 95% of its clients are institutional, it sees a lot of "venture capital and business startup schemes — which are suitable — for individuals," the director said. Schroder Wagg is now setting up a venture capital operation in America, he added.

S.G. Warburg, known for its management of securities, does not involve itself in peripheral activities, "although of course we put our clients in touch with the right people in forestry or property if that is what they want," said one director.

Affluent clients of S.G. Warburg have approximately $375,000 in net worth, and get a tailor-made package for which they are charged a percentage of the value of the portfolio. (Some other banks charge a flat minimum fee, scaled upward according to the value of the individual's assets.)

Attacking the lower end of the affluent scale, Dunbar and Co. accepts a net worth of $75,000 for entry into its fund management program, which began in 1974. "These days, $75,000 is a pretty negligible amount," managing director David Backhouse admitted.

Mr. Backhouse said Dunbar has not gone out of its way to attract lucrative clients from abroad. Rather, it has launched a new program through Allied Hambros called the Financial Management Program, designed in part to attract well-to-do British expatriate businessmen.

In the end, however, despite the new programs, new competitors, and new affluent market, the London banking scene has not changed so much as it has intensified. "London is the traditional home of international investment, and we are very much internationally oriented," said an S.G. Warburg director. "It's been so for a very, very long time." ■

Fifteen of the Largest Banks: Their Affluent Programs

Name of Bank	Name of Program	One Organization?*	One Dept. Head?	Years in Existence	Number of Employees	Number of Lenders
Bank of America, San Francisco	Private Banking Group	yes	N.A.	N.A.	N.A.	N.A.
Citibank, New York	Private Banking and Investment Division	yes	yes	10+	500+	150+
Chase Manhattan Bank, New York	Domestic Private Banking	yes	yes	3	450	25
Manufacturers Hanover Trust Co., New York	Private Banking Program	yes	no	2	47	25
Chemical Bank, New York	Worldwide Private Banking	no	N.A.	2	259	30
Continental Ill. Natl. Bank & Trust Co., Chicago	Private Banking, Trust, & Investment Svcs.	yes	yes	10	200	25
Security Pacific National Bank, Los Angeles	Private Investment Management	no	N.A.	N.A.	N.A.	N.A.
First National Bank, Chicago	Personal Financial Services Group	yes	yes	1	320	50
Bankers Trust Co., New York	Private Clients Group	yes	yes	1+	900	50
Marine Midland Bank, Buffalo, N.Y.	N.A.	no	N.A.	N.A.	N.A.	N.A.
Mellon Bank, Pittsburgh	Custom Banking Division	yes	no	2	35	20
First National Bank, Boston	Private Banking Group	yes	yes	2	21	9
Irving Trust Co., New York	Personal Financial Management Group	yes	yes	5	23	12
Bank of New York	Custom Banking	no	no	3+	40	20
InterFirst Bank Dallas	Private Banking	yes	no	3	15	9

* All employees serving the affluent work for one integrated division within the bank.

BANK OF AMERICA NT&SA, San Francisco
Deposits as of June 30, 1983: $94.8 billion.
Number of retail outlets: 1,079
Minimum affluent income: $200,000/flexible. depends on net worth.
Minimum affluent net worth: $500,000/flexible, depends on net income.
Criteria used to identify affluent: Total relationship with firm.
Affluent target professions: None.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Referrals.
Separate affluent facilities: Yes; number of outlets outside of principal market area N.A.
Independent affluent organization: Yes; Private Banking Group.
Reporting to one department head: N.A.
Years in existence: N.A.
Number of employees for affluent: N.A.
Number of lenders for affluent: N.A.
Most important affluent lure: Flexible credit, personal service of high quality.
Programs for potential affluent: No.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.

■

CITIBANK NA, New York
Deposits as of June 30, 1983: $75.5 billion.
Number of retail outlets: 279
Minimum affluent income: $100,000/individual.
Minimum affluent net worth: $1 million.
Criteria used to identify affluent: Checking deposits: $10,000; investment portfolio: $600,000; credit needs: $100,000.
Affluent target professions: Law firms and lawyers.
Affluent psychographic profile: Entrepreneurs.
Affluent promotional budget: N.A.
Marketing methods used: Personal calls, Forbes, Avenue, Town & Country.
Separate affluent facilities: Yes; 16 outside of principal market area.
Independent affluent organization: Yes; Private Banking and Investment Division.
Reporting to one department head: Yes.
Years in existence: more than 10
Number of employees for affluent: more than 500
Number of lenders for affluent: more than 150
Most important affluent lure: Secured lending to signigicant affluent individuals.
Programs for potential affluent: No. (Citibank has several programs at a branch level to identify higher-balance consumers by deposit level and provide them with special service.)
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.

■

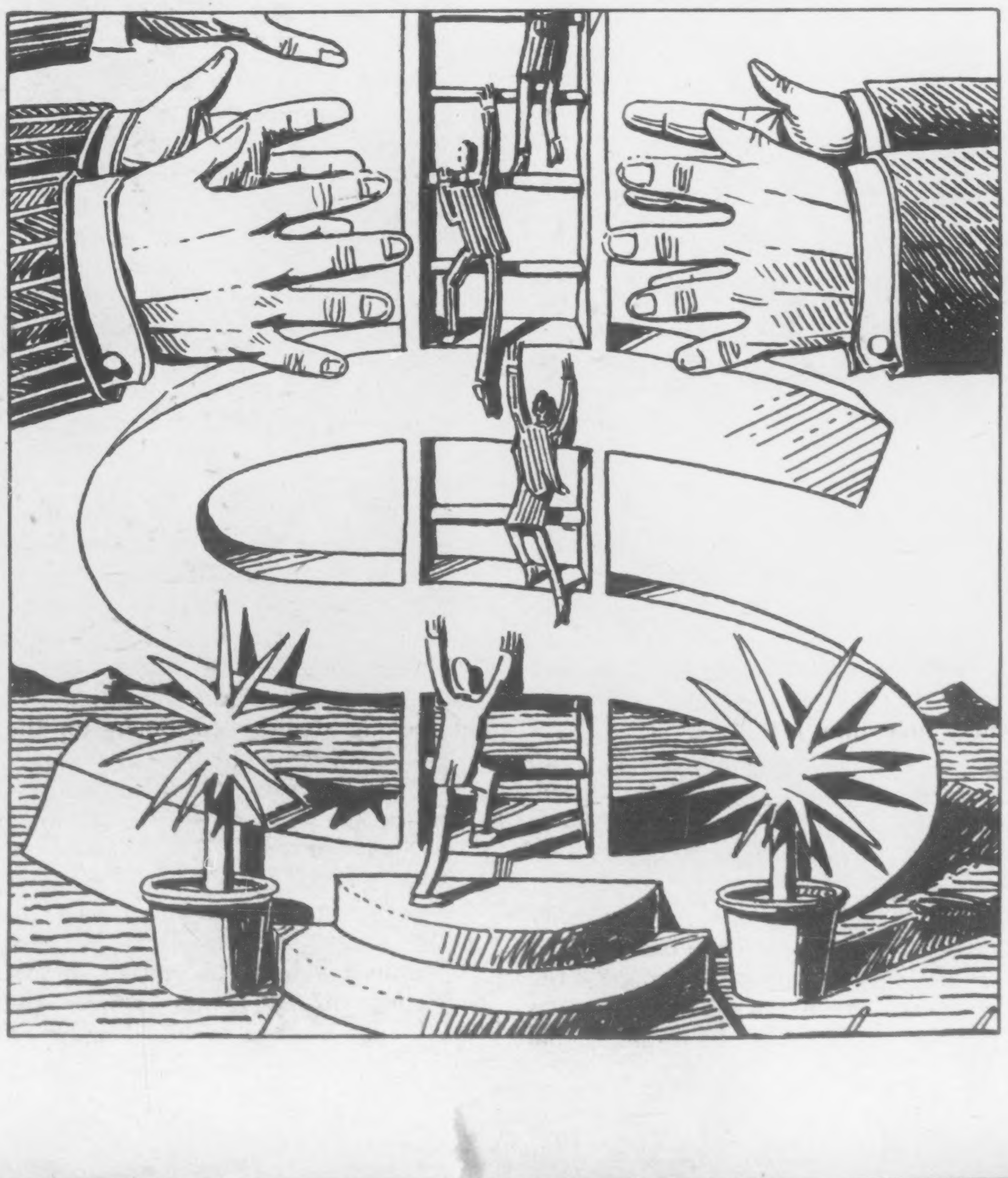
CHASE MANHATTAN BANK NA, New York
Deposits as of June 30, 1983: $57.7 billion.
Number of retail outlets: 254
Minimum affluent income: $250,000/individual.
Minimum affluent net worth: $500,000
Criteria used to identify affluent: Checking deposits: $2,500; NOW deposits: $5,000; trust assets: $300,000; investment portfolio: $500,000; custody portfolio: $500,000.
Affluent target professions: Corporate senior executives, entrepreneurs, entertainers, professional athletes, professionals.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Direct mail, telemarketing, personal calls, print advertising.
Separate affluent facilities: Yes; number of outlets outside principal market N.A.
Independent affluent organization: Yes; Domestic Private Banking.
Reporting to one department head: Yes.
Years in existence: 3
Number of employees for affluent: 450
Number of lenders for affluent: N.A.
Most important affluent lure: Personalized banking/credit, financial & estate analysis and planning, asset management and custody.
Programs for potential affluent: No.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.

■

MANUFACTURERS HANOVER TRUST CO., New York
Deposits as of June 30, 1983: $40.8 billion.
Number of retail outlets: 203
Minimum affluent income: Not used as a criterion.
Minimum affluent net worth: $1 million, including real estate.
Criteria used to identify affluent: Net worth: $1 million.
Affluent target professions: Corporate executives, entreprenuers, professionals.
Affluent psychographic profile: Mainly interested in the credit intensive segments of the affluent market, i.e., entreprenuers, corporate executives, professionals.
Affluent promotional budget: $100,000
Marketing methods used: Personal calls, separate brochures.
Separate affluent facilities: Yes.
Independent affluent organization: Yes; Private Banking Program.
Reporting to one department head: No.
Years in existence: 2
Number of employees for affluent: 47
Number of lenders for affluent: 25
Most important affluent lure: Personal service, experienced account officers, credit, money market deposit accounts, trust services, short term investment service (CD's, municipals, etc.), separate private banking offices.
Programs for potential affluent: No.
% of affluent customers: 80%
% of affluent deposits: N.A.
% of affluent loans: N.A.

■

CHEMICAL BANK, New York
Deposits as of June 30, 1983: $32.1 billion.
Number of retail outlets: 250
Minimum affluent income: $100,000/individual.
Minimum affluent net worth: $500,000
Criteria used to identify affluent: Credit needs: $100,000.
Affluent target professions: Medical profession, corporate executives, investment bankers, entreprenuers.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Personal calls.
Separate affluent facilities: Yes; 9 outlets outside of principal market area.
Independent affluent organization: Yes; Worldwide Private Banking Division.
Reporting to one department head: N.A.
Years in existence: 2
Number of employees for affluent: 259
Number of lenders for affluent: 30
Most important affluent lure: Loans over $100,000, money market accounts, financial planning.
Programs for potential affluent: No.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.



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CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO., Chicago
Depsoits as of June 30, 1983: $28.2 billion.
Number of retail outlets: 4
Minimum affluent income: $150,000/household.
Minimum affluent net worth: $1 million.
Criteria used to identify affluent: Total deposits: $50,000; checking deposits: $10,000; annual brokerage commissions: $500; investment portfolio: $100,000; total relationship; annual transactions on plastic cards; total loans outstanding; credit needs; trust and commericial lending relationships.
Affluent target professions: None.
Affluent psychographic profile: Entreprenuers (owners/managers), pre-retirees/retirees, chief executive officers, principals of professional firms, individuals with acquired wealth.
Affluent promotional budget: N.A.
Marketing methods used: Direct mail, personal calls, magazines, seminars, theater programs, FM radio (classical format), one-on-one social gatherings.
Separate affluent facilities: Yes; 3 outlets outside of principal market area.
Independent affluent organization: Yes; Private Banking, Trust and Investment Services.
Reporting to one department head: Yes.
Years in existence: 10
Number of employees for affluent: 200
Number of lenders for affluent: 25
Most important affluent lure: A close personal relationship between the client and account officer.
Programs for potential affluent: No.
% of affluent customers: Less than 5 %.
% of affluent deposits: N.A.
% of affluent loans: N.A.

■

SECURITY PACIFIC NATIONAL BANK, Los Angeles
Depsoits as of June 30, 1983: $26.1 billion.
Number of retail outlets: N.A.
Minimum affluent income: N.A.
Minimum affluent net worth: $1 million.
Criteria used to identify affluent: Investment portfolio.
Affluent target professions: None.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Personal calls.
Separate affluent facilities: Yes; no outlets outside of principal market area.
Independent affluent organization: Yes; Private Investment Management.

➻ List: Page 32

Affluent Banking at Fifteen of the Nation's Largest Banks

Continued from page 31

Reporting to one department head: N.A.
Years in existence: 1
Number of employees for affluent: N.A.
Number of lenders for affluent: N.A.
Most important affluent lure: Good investment management performance and extensive customer contact and service.

Programs for potential affluent: Yes.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.

■

FIRST NATIONAL BANK OF CHICAGO, Chicago
Deposits as of June 30, 1983: $25.5 billion.
Number of retail outlets: N.A.
Minimum affluent income: $60,000/household.
Minimum affluent net worth: $200,000
Criteria used to identify affluent: Total deposits: $10,000; checking deposits: $3,000; investment portfolio: $300,000.
Affluent target professions: Attorneys, certified public accountants, doctors, senior corporate executives.
Affluent psychographic profile: N.A.
Affluent promotional budget: $100,000
Marketing methods used: Personal calls.
Separate affluent facilities: Yes; 1 outlet outside of principal market area.
Independent affluent organization: Yes; Personal Financial Services Group.
Reporting to one department head: Yes.
Years in existence: 1
Number of employees for affluent: 320
Number of lenders for affluent: 50
Most important affluent lure: Private banker for all services, creative lending.
Programs for potential affluent: No.
% of affluent customers: 15%
% of affluent deposits: 19.3% (Personal Banking only)
% of affluent loans: 9.9% (Personal Banking only)

■

BANKERS TRUST CO., New York
Deposits as of June 30, 1983: $21.9 billion.
Number of retail outlets: 13 (9 affluent-oriented)
Minimum affluent income: $150,000/individual.
Minimum affluent net worth: $500,000
Criteria used to identify affluent: Investment portfolio: $250,000; credit needs: $100,000; trusts: $250,000; will on file: $1 million or more.
Affluent target professions: Senior executives, professionals, entrepreneurs.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Direct mail, personal calls.
Separate affluent facilities: Yes; 1 outlet outside of principal market area.
Independent affluent organization: Yes; Private Clients Group.
Reporting to one department head: Yes.
Years in existence: more than 1.
Number of employees for affluent: 900
Number of lenders for affluent: 50
Most important affluent lure: Sophisticated credit capability, active portfolio management, personal service.
Programs for potential affluent: No.
% of affluent customers: 80%
% of affluent deposits: 85%
% of affluent loans: 100%

■

MARINE MIDLAND BANK NA, Buffalo
Deposits as of June 30, 1983: $16.0 billion.
Number of retail outlets: 293
Minimum affluent income: $100,000/household (upper affluent), $50,000/household (emerging affluent).
Minimum affluent net worth: $200,000 (upper affluent), $50,000 (emerging affluent).
Criteria used to identify affluent: Total deposits; checking deposits; total relationship with firm; investment portfolio; total loans outstanding; credit needs; investment needs; demographic factors.
Affluent target professions: Medical, legal, business owners, corporate executives, international executives.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Direct mail, telemarketing, personal calls, selected upscale magazines.
Separate affluent facilities: Yes.
Independent affluent organization: No.
Reporting to one department head: No.
Years in existence: N.A.
Number of employees for affluent: N.A.
Number of lenders for affluent: N.A.
Most important affluent lure: Preferred credit lines, investment management services, gold Mastercard, discount brokerage, money market accounts, combined/summary statement, money market mutual funds.
Programs for potential affluent: N.A.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.

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Affluent Banking Programs...

MELLON BANK, Pittsburgh
Deposits as of June 30,1983: $13.0 billion.
Number of retail outlets: 115
Minimum affluent income: $100,000/household.
Minimum affluent net worth: $1 million, inclusive of personal residence.
Criteria used to identify affluent: N.A.
Affluent target professions: Entreprenuers and business owners, corporate executives, professionals.
Affluent psychographic profile: "Active" wealthy, aggressive entreprenuers.
Affluent promotional budget: N.A.
Marketing methods used: Direct mail, personal calls, print media.
Separate affluent facilities: Yes.
Independent affluent organization: Yes; Custom Banking Division.
Reporting to one department head: No.
Years in existence: 2
Number of employees for affluent: 35
Number of lenders for affluent: 20
Most important affluent lure: Creative credit products.
Programs for potential affluent: Yes; young professional market.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.

■

FIRST NATIONAL BANK OF BOSTON, Boston
Deposits as of June 30, 1983: $11.3 billion.
Number of retail outlets: 107
Minimum affluent income: $70,000/individual.
Minimum affluent net worth: $300,000
Criteria used to identify affluent: checking deposits $10,000; total deposits.
Affluent target professions: Certified public accountants, lawyers, corporate executives, health care professionals, entreprenuers.
Affluent psychographic profile: N.A.
Affluent promotional budget: $60,000
Marketing methods used: Direct mail, personal calls, selected magazines and programs.
Separate affluent facilities: Yes; no outlets outside of principal market area.
Independent affluent organization: Yes; Private Banking Group.
Reporting to one department head: Yes.
Years in existence: 2
Number of employees for affluent: 21
Number of lenders for affluent: 9
Most important affluent lure: Loans, investments, tax shelters, knowledge of personnel.

■

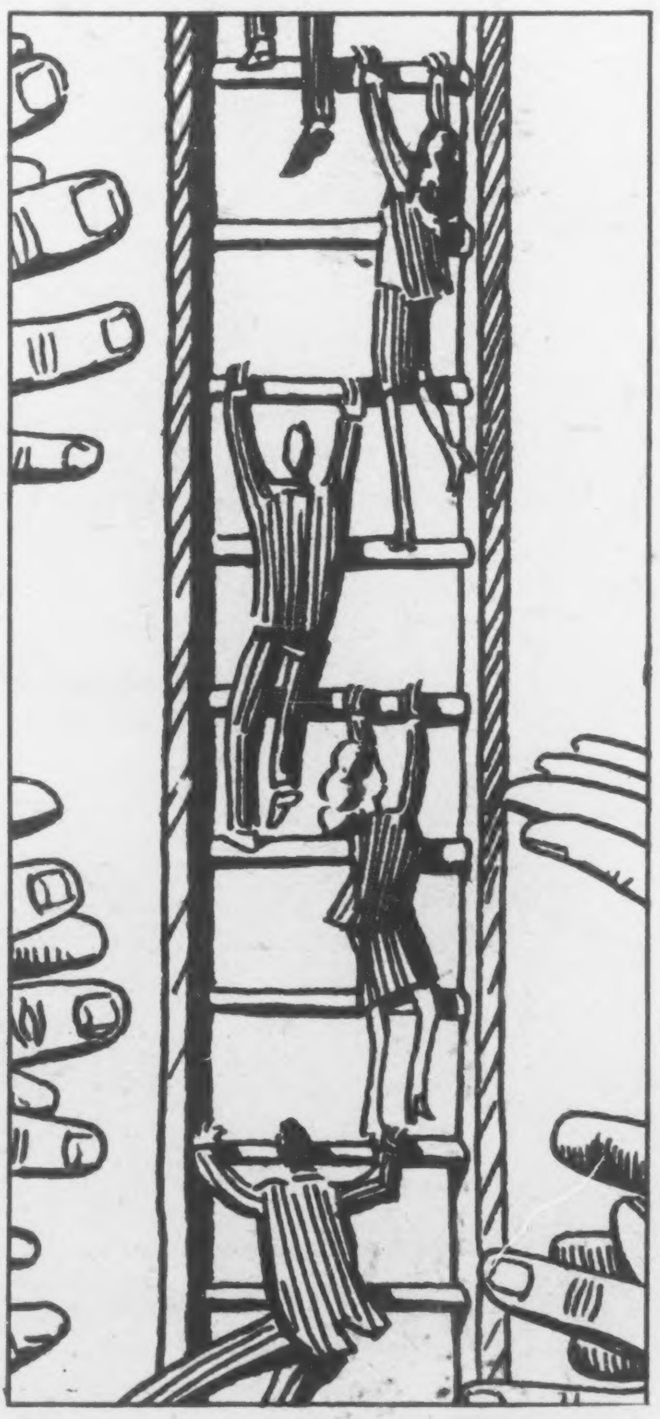
Programs for potential affluent: Yes; subsection of Private Banking Group aimed at this market.
% of affluent customers: 1.5%
% of affluent deposits: 65.6% of retail deposits.
% of affluent loans: 34%

IRVING TRUST CO., New York
Deposits as of June 30, 1983: $11.3 billion.
Number of retail outlets: 13
Minimum affluent income: $100,00υ/individual.
Minimum affluent net worth: $1 million.
Criteria used to identify affluent: Checking deposits: $10,000; investment portfolio: $500,000; loans outstanding: $50,000; time deposits: $100,000.
Affluent target professions: None.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Direct mail, personal calls, print, television.
Separate affluent facilities: Yes; no outlets outside of principal market area.
Independent affluent organization: Yes; The Personal Financial Management Group.
Reporting to one department head: Yes.
Years in existence: 5
Number of employees for affluent: 23
Number of lenders for affluent: 12
Most important affluent lure: The personal banker.
Programs for potential affluent: Yes.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.

BANK OF NEW YORK, New York
Deposits as of June 30, 1893: $9.3 billion.
Number of retail outlets: 192
Minimum affluent income: $100,000/individual.
Minimum affluent net worth: $500,000
Criteria used to identify affluent: Checking deposits: $10,000; investment portfolio: $300,000.
Affluent target professions: Doctors, lawyers.
Affluent psychographic profile: N.A.
Affluent promotional budget: $300,000
Marketing methods used: Direct mail, personal calls, magazines, WQXR (radio, classical format).
Separate affluent facilities: Yes; 1 outlet outside of principal market area.
Independent affluent organization: No.
Reporting to one department head: No.
Years in existence: more than 3.
Number of employees for affluent: 40
Number of lenders for affluent: 20
Most important affluent lure: Custom banking officers, investment management.
Programs for potential affluent: No.
% of affluent customers: 2%
% of affluent deposits: 5%
% of affluent loans: 1%

■

INTERFIRST BANK DALLAS NA, Dallas
Deposits as of June 30, 1983: $7.6 billion.
Number of retail outlets: 135
Minimum affluent income: $100,000/household.
Minimum affluent net worth: $300,000
Criteria used to identify affluent: Investment portfolio: $100,000; total deposits; annual brokerage commissions.
Affluent target professions: Executives, lawyers, physicians, accountants.
Affluent psychographic profile: N.A.
Affluent promotional budget: N.A.
Marketing methods used: Direct mail, personal call.
Separate affluent facilities: Yes; no outlets outside of principal market area.
Independent affluent organization: Yes; Private Banking.
Reporting to one department head: No.
Years in existence: 3
Number of employees for affluent: 15
Number of lenders for affluent: 9
Most important affluent lure: N.A.
Programs for potential affluent: No.
% of affluent customers: N.A.
% of affluent deposits: N.A.
% of affluent loans: N.A.



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Who Are the Affluent and What Do They Want from Us?

They Must Be Defined, Then Approached, and Finally, Be Given the Appropriate Services

By ALLEN R. De COTIIS and JOHN J. DeMARCO

Affluent customers, both present and future, can be defined and located, but banks and financial institutions must use various kinds of data to ascertain what they want and don't want, say Dr. De Cotiis, vice president, and Dr. DeMarco, director of research, Payment Systems Inc., a wholly owned subsidiary of Reistad Corp., a diversified research and consulting firm based in Tampa, Fla.

A survey conducted by the American Banker last year found that more than two-thirds of the 100 largest U.S. banks had or were planning to establish programs aimed at affluent individuals. There are strong indications that banks and other financial institutions are increasing their efforts to appeal to this segment of the financial services market.

The survey identified a number of emerging trends. The concept of market segmentation is beginning to permeate the financial services industry. Affluent customers are being offered personal, professional attention in plush surroundings and relationship banking, where one individual manages the customer's total dealings with the financial institution. Of course, such personalized service can only be offered profitably to the top 20% or so of institutional customers.

The two primary personnel approaches are to use generalists, intensively trained in all areas of interest to upscale customers, or relationship managers who concentrate on the service areas of most interest to a customer and then route the customer to other specialists as needed.

One of the more difficult yet necessary tasks in implementing affluent programs is integration: getting various traditional departments to relinquish their holds on service to affluent customers and restructuring so that all affluent-oriented personnel report to one management.

Established affluent programs appear to rely heavily on word-of-mouth referrals to reach upscale customers. Well-placed advertisements and quality direct mail promotions also are frequently used. Primary marketing energy is being devoted to identifying affluent consumers.

The Payment Systems Inc. Affluent Market Study (1982) also noted a number of trends in the efforts of financial institutions to attract affluent customers by offering them:

- Private affluent financial centers or branches.
- Money market accounts.
- Financial service programs for professionals such as medical doctors.
- Personal unsecured lines of credit.
- Special loan programs for professionals.
- A variety of preferred service packages.
- Personal or automated planning and counseling services.
- Asset management accounts.
- Brokerage services.
- Referrals to professionals.
- Newsletters and other financial literature.
- Insurance programs.
- Bill paying and custodial services.
- Travel services.
- Safe deposit and document safekeeping.
- Tax shelters.

In addition, the PSI study identified a variety of miscellaneous services that upscale consumers find attractive and are willing to pay for. First National Bank in Palm Beach even offers a fur storage service.

Affluent Market Potential

This intense activity is not misdirected. The potential of the affluent market is obvious when economic data are examined. Defining affluent households as those with incomes of $50,000 or more in 1981, approximately 8% of American households (7 million) were affluent in that year. They accounted for 23.5% of total U.S. income.

By 1990, it is estimated that there will be 12 million affluent households accounting for 31.5% of total income. This represents an average annual growth rate of 7.5% for upscale households compared with 2.1% for all households. Not only are affluent individuals becoming wealthier and more numerous, they are also becoming younger as a group. In 1981, some 55% of the heads of affluent households were 45 years of age or older. As the baby-boom age cohort matures and a significant proportion of them achieve affluence, the average age of the affluent market should decline. This trend is directly opposed to the aging of the general population.

When it comes to financial products and services, PSI research shows that the wealthy are active, sophisticated, and perceptive consumers. Approximately 62% of the affluent respondents to PSI's 1982 survey have business or personal loans outstanding. At least 40% of them pay fees for financial advice and counseling. Nearly 16% of those surveyed allocate 20% or more of their total income to investments. Sixty-six percent have money market funds, while 35% own commercial or rental real estate. Over 77% have invested in stocks and bonds, 31% have tax-free bonds, and 15% have stock or commodity options.

An Effective Approach

Any approach to establishing an effective and profitable affluent program must confront the following questions:

- Who are the affluent or upscale consumers?
- How can they be reached?
- What financial products, services, delivery systems, and pricing strategies are attractive to this market?
- Is the affluent market a relatively homogeneous group or is segmentation of the affluent segment itself necessary?
- What organizational and system changes are required by financial institutions for successful affluent programs?

What is Affluence?

Typically, affluence is defined using income levels and/or account balances. In actuality, these may be poor indicators of wealth. Upper income individuals tend to keep multiple accounts at several institutions. The wealthy also seek to minimize their balances in low-yielding checking and savings accounts and direct their funds into higher yielding instruments. Thus, an examination of account balances may fail to identify upscale consumers.

Using income levels as indicators of affluence also has its problems. Many affluent individuals seek to minimize current taxable income and prefer nontaxable remuneration or to defer income so as to reduce tax burdens.

Moreover, both current income levels and account balances lack predictive capability. They cannot be used to identify an important consumer segment: the emerging affluent market. For example, an M.D. graduating from medical school may have a low income, zero savings, and considerable debts. Yet, many financial institutions are becoming aware of the importance of attracting customers with the potential for affluence at early stages of their lives in order to establish and maintain long-term profitable relationships.

The Age Factor

Another factor which also must be taken into account is age. Consider, for example, a corporate manager with a yearly income of $40,000. If the individual were 62 years old, it is doubtful he or she would be identified as affluent by most financial specialists. On the other hand, a 27-year old manager with such an income has a good chance of reaching most peoples' definition of affluence and thus may be characterized as an emerging affluent consumer. The trend toward a lower average age of the affluent market, noted above, places additional importance on emerging affluent individuals.

A multidimensional approach to identifying affluent customers makes the most sense from a marketing standpoint. The most useful criteria for financial service providers to employ for identifying affluent and emerging affluent households combine a number of demographic characteristics:

- Income.

➻ Definition: Page 35

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Definition . . .

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- Net worth (not including residential real estate.
- Occupation.
- Age.
- Education.
- Marital and family status.
- Lifestyles.
- Geographic location.

All of these factors may play a part in deciding what customer groups should be designated as affluent. For example, the First National Bank of Minneapolis and the First National Bank of St. Paul target their affluent programs at individuals with $50,000 or more per year in income and investable assets of $50,000 or more. These figures may seem low by many peoples' standards, but the banks know that their geographic region contains relatively few individuals from the top 5% of the nation's wealth distribution.

These demographic characteristics will form the basis for a discussion of segmentation approaches. But first, an approach for reaching the affluent market is offered.

Reaching the Affluent Market

A number of techniques are employed by financial institutions in order to locate and reach upscale customers. Seminars on topics of interest to the wealthy may generate contacts. Lists of professionals and other likely affluent individuals from associations and directories as well as purchased lists are also frequently used. Credit files, tax rolls and government records may be searched. Advertising in affluent-oriented publications has been successful. The current wisdom is that word-of-mouth referrals are the most effective means of reaching the truly affluent consumer. However, referrals are time consuming, costly and dependent upon contact networks which may or may not substantially cover the market.

Recent research suggests that direct mailing to geo-demographically generated lists is an effective and very efficient method of reaching affluent consumers. The geo-demographic technique begins with the much supported assumption that people with similar characteristics concentrate in geographic locations. Furthermore, these relatively homogeneous communities tend to remain stable over time. By using U.S. Census data, clusters of census tracts, census blocks or ZIP code neighborhoods can be identified which possess any average combination of some 500 characteristics documented in the census, including education, wealth, life cycles, lifestyles, and mobility. From these data, mailing lists may be generated which will quite accurately reach the intended market segment.

PSI's 1982 Affluent Market Study employed this methodology. A sample of 832 block groups, in 24 states, stratified by income, generated a mailing sample which accurately identified affluent households, defined as those with $50,000 or more in income and a net worth of at least $200,000, at the rate of 88%.

A second important question is whether affluent individuals will respond to financially oriented direct mail contacts. This has yet to be fully tested, but if responses to market research questionnaires are an indicator, they will. Affluent persons responded to the PSI questionnaires at the rate of 42%. The key to this technique is quality appearance and concise copy for both questionnaires and cover letters.

Attracting the Affluent Customer

Once affluent customers are found, the obvious way to attract them is to offer products and services that not only meet their needs but that are also appropriately priced.

The process, however, is not so straightforward. The affluent market is not homogeneous; it requires segmentation of the affluent segment itself and an appropriate mix of offerings. William McCormick of American Express said it well: "Segment your markets but understand the needs of each group you want to serve, as well as your own strengths and weaknesses. Concentrate on what you are best geared to serve."

Segmenting the Affluent Market

Defining affluence multidimensionally provides a convenient starting point for considering segmentation of the affluent market. The approach offered here begins with the assumption that multiple life cycle and lifestyle characteristics determine segments with common sets of financial needs and preferences.

Research demonstrates that financial patronage decisions can be linked to life style and demographic characteristics. For example, aspirations, cosmopolitan attitudes, traditionalism, income, and age are found to be related to bank patronage decisions through the kinds of products and services offered. The claim that the quality of service is more important than the kinds of products and services that are offered does not appear to be accurate.

The difficult task is to pull together information on affluent life cycle and lifestyle factors and form a useful picture, from a marketing and a strategic standpoint, of needs and preferences. A theoretical model developed by Edgar Coster shows much promise in this regard. (E. Coster, "A Model for Matching Financial Needs with Personal Finances." Bank Marketing, May 1981, p. 23.) The model breaks down consumer funds inflow, funds outgo and assets. Naturally, no two people or even the same person at two points in time will have the exact same amounts in each components of the model. By examining the sources and uses of personal income and wealth, financial institutions can determine a customer's financial needs quite accurately. If this is combined with information on life cycle, lifestyle, and demographic characteristics, useful af-

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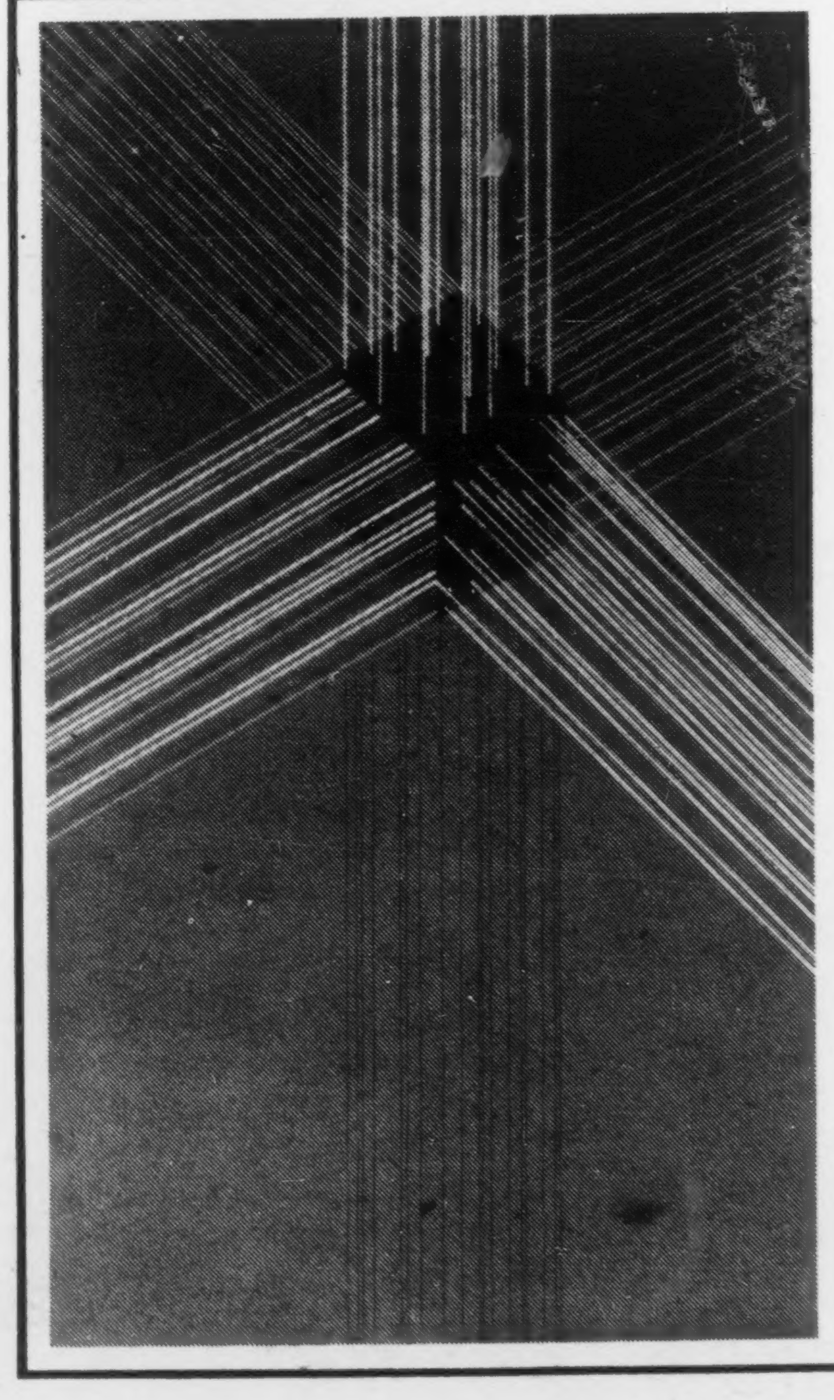

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The Affluent Market 1982

	AGE GROUPS				
	Less Than 35	35-44	45-54	55-64	65 +
Average Annual Income	$ 78,000	$ 92,000	$ 93,000	$ 86,000	$ 75,000
Average Net Worth	$360,000	$438,000	$624,000	$662,000	$1,851,000
Average Distribution of Household Assets as a Percentage of Total Assets:					
Cash	19.0%	16.0%	16.0%	17.7%	22.1%
Business Ownership	9.4%	11.0%	11.0%	10.0%	7.2%
Securities	13.6%	20.2%	21.8%	23.4%	29.0%
Real Estate	49.0%	52.5%	48.7%	43.7%	40.5%
Tangibles/Collectibles	10.0%	8.0%	7.0%	6.5%	6.0%
Average Distribution of Household Income Sources as a Percentage of Total Income:					
Salary	53.0%	50.0%	50.0%	43.0%	17.5%
Realized Capital Gains	7.2%	2.2%	6.7%	7.9%	9.2%
Dividends	5.8%	4.8%	6.6%	10.5%	23.0%
Other	34.0%	43.0%	36.7%	38.6%	50.3%

Source: PSI Affluent Market Study. Percentages may not add to 100% due to rounding error.

Definition . . .

Continued from page 35

fluent segments can be identified.

The table which accompanies this article contains an example of such an analysis. Data from PSI's 1982 Affluent Market Survey are broken down by age groups. Average income, average net worth, and percentage distributions of assets and income sources are shown. Income peaks for the 45 to 54 age group while net worth constantly increases across the groups. Cash holdings are relatively high for young individuals, decline for middle-aged persons as more securities, real estate, and businesses are purchased and rise again for older people as real estate is sold.

Ownership of securities increases across the age groups while assets in the form of tangibles/collectibles decline. Older affluent groups receive a greater proportion of their income, as one would expect, from dividends and capital gains.

Unfortunately, research is just beginning to use this approach to identify affluent segments and their needs. Existing affluent segments have been, for the most part, developed a priori. Additional direct empirical examination of affluent needs, preferences, life cycle, lifestyle and demographic characteristics is a clear research priority for those concerned with serving the upscale market.

The following segmentation scheme represents a first-cut at identifying affluent segments with high marketing potential and product implications.

Single and Married Emerging Affluent Individuals

These two segments are defined as single and married medical or managerial professionals (e.g., lawyers, CPAs) under 35 years of age with annual incomes of $35,000 or more. Individuals in these two segments have not yet attained affluent status, but their characteristics strongly indicate that they will. They are very concerned with accumulating wealth and prefer high risk/high payoff investments. Relatively unsophisticated financially, they need information and advice. They have high borrowing and credit needs and express preferences for convenience when it comes to transaction accounts and other standard services.

Low-End Affluent Households

These people are married couples with combined incomes of $40,000 to $70,000 in the 25-to-40 age range. Given their lack of financial knowledge, they could be good candidates for planning and counseling services. However, they are not highly motivated to seek new sources of advice, preferring to stick with trusted sources. They have relatively high borrowing and credit needs and high retirement planning needs. They prefer less risky, traditional investments. As a group, they appear quite receptive to new services and delivery systems.

Career Affluent Households

These individuals are married couples with combined incomes of $60,000 to $90,000. They are 40 to 55 years of age and have no dependent children. People in this segment are oriented toward achieving financial independence and retirement security. They search actively for investment opportunities and prefer relatively safe ones. Their needs for financial information are high, but they rely on their own judgments. Convenience in transaction accounts and other standard services are important to them and they are willing to pay for quality service.

We define this segment as those who own their own businesses and have

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Definition . . .

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incomes over $75,000. They are the principal breadwinners in their households and are 35 to 55 years of age. These individuals are highly specialized investors, preferring to invest in their own businesses or in real estate. They are surprisingly lacking in financial knowledge and prefer their own judgments. They spread their financial service business around and are attracted by service convenience. They tend to have negative views of financial institutions.

Affluent Retirees

Affluent retirees may be single or married and have retirement incomes of $50,000 to $70,000. They are likely to own winter and summer homes. These individuals want to maintain good incomes and comfortable lifestyles. They see themselves as quite knowledgeable about financial matters, but they tend to have a lot of misinformation. They rely on their own judgment but are attracted by personal relationships with financial advisers. They have low borrowing and credit needs but prefer to have high levels of credit available. They are not particularly good candidates for new services and delivery systems.

Senior Executives

This segment consists of executives who are principal breadwinners in their households and make $100,000 or more per year. They are married and between 45 to 65 years of age. These executives are very well-informed and are antagonistic toward financial institutions. They rely on their own judgment when investing and seek convenient standard services at competitive prices. Personalized, preferred service gets mixed reviews from this segment. Some see it as desirable and would be willing to pay for it, others do not or would not.

Established Wealth

Those with annual investment income of $100,000 or more and who are 35 to 65 years of age comprise this segment. These individuals seek maximum returns on investments and tax avoidance. They seek financial advice from trusted associates. They show willingness to pay for demonstrated performance. They are also very receptive to home computer banking.

Packaging

These segments and accompanying need/preference descriptions need to be elaborated and examined in future research efforts. Another priority is the question of product/service packages for affluent segments. What range of products and services concentrated at what institutions appeals to which affluent segments? PSI research suggests that commercial banks are viewed by affluent individuals as being more capable of becoming one-stop financial centers than other institutions. However, this does not preclude other financial institutions from successfully expanding their range of offerings, nor does it suggest that commercial banks should offer a complete range of products/services.

The Question of Price

Pricing products and services is another priority research area. Available evidence indicates that affluent individuals (especially emerging and younger affluent persons) are price- and rate-sensitive about commodity products/services such as checking accounts, discount brokerage or certificates of deposit. For other products/services such as investments, large loans, advice, or trust services, they appear to be quality-sensitive. They are willing to pay for value. Thus price is not inconsequential, but quality and client-provider relationships often outweigh price.

Delivery System

A combination of three basic delivery modes are appropriate for the affluent market — automatic, electronic, and traditional. The key is to match a product/service with the appropriate system in order to market to affluent segments and to maximize the internal efficiency of the financial institution.

Examples of automatic delivery include credit card lines of credit, overdraft credit, preauthorized payment and direct deposit (though the multiple-source incomes of affluent individuals make direct deposit less attractive). All affluent segments will use automatic credit products, while automatic transaction services will appeal primarily to younger and emerging affluent persons.

Electronic delivery systems such as automated teller machines and home/office computer terminal banking appear to have widespread appeal to younger emerging and mid-level upscale consumers. In PSI's recent study, approximately 53% of those questioned indicated a preference for home/office terminals through which they could transact their financial affairs.

The upper level affluent segments, representing the older age groups, show a preference for conducting their financial affairs in a comfortable, tasteful brick-and-mortar location. It is here that personal service and continuing relationships are most important. A priority research question concerns the use of affluent-only offices or centers. While a number of financial institutions are experimenting with variations on the affluent office, the verdict is not yet in.

Affluent Offices

The Harris Trust & Savings Bank, Chicago, reports that its "Upstairs at Harris" affluent center has proved quite profitable. Chemical Bank, New York, opened an affluent office in Queens, New York, and is reporting success and that the office "will serve as a prototype for future Chemical upscale branches." At Broadway National Bank & Trust Company, Paterson, N.J., "Club 3" was an initial success and the bank is extending its upscale efforts to a larger market. In Providence, R.I., Fleet National Bank's "100 Westminster Street," which began as a consolidation of the trust and investment division and the private banking department, has shown similar

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Nadler ■ ■ ■

Continued from page 4

trouble. The examination procedure is far more of a management audit than an asset audit.

(As some bankers have put it, bank examination today is like a man's first medical exam after reaching age 40 — they probe parts of you that you didn't know existed.)

This is another reason why so many examiners are hired away by banks, for their job gives them opportunities to show their managerial talent far more readily than in the past.

Yet if ever a time existed when well-trained, experienced early warning experts were needed in bank examination, it is now, with the spate of bank failures that we have seen.

Why have we been witnessing so many more bank failures and rescues than at any time since the early 1930s?

Certainly the energy crisis has knocked the pins out from under some bank domestic petroleum loans. It has also tarnished loans to nations like Mexico that counted on high energy prices and demand to help them repay their obligations.

But it is hard to leave the question of bank loan defaults without wondering how much of our difficulties today stem from the large number of bankers who have entered the field fresh out of graduate schools with mathematical training in fields like efficient capital asset pricing models, and a cocky assurance that they are different from past generations of bankers and thus are not going to make the mistakes that Gridley made in years gone by (now that they have forced Gridley to take early retirement).

Think how much more healthy it would be had there been a few Gridleys who had gone into bank examination after years in banking and who could have reminded the young Turks of similar attitudes they had had when they started out and of the grief these attitudes had caused them.

On occasion a top banker leaves to go into examination as a public service. And generally these people stand out as tops in their field and of tremendous value to banking.

Why can't the industry subsidize some "endowed chairs in bank examination" just as they endow chairs at universities — with the holders of these chairs being bankers who then would look at the examination area as a step upwards in prestige and even salary rather than a step down.

Bank examination has become too subjective to be taught in the classroom or from the rule book.

Compliance involves value judgments, capital adequacy is a tug-of-war between the banker and the regulator, and the issues of bank managerial techniques that the banker and the examiner argue about once the exam is over are certainly based on judgmental decisions rather than violation of the examination codes in most instances.

Bankers pay the examiners' salaries — directly or indirectly. Were bankers to suggest higher examiner salaries, they would undoubtedly be the beneficiary in terms of more enlightened examiniations if this brought some bankers back into the examination force.

And if the industry were regulated and examined by people, more of whom had been through the wringer of bad loans, bad investments, and liquidity squeezes themselves, the bankers would gain more compassionate examinations coupled with more help in seeing signals of trouble brewing ahead.

And these traits would help both the industry and a public that is so dependent upon sound yet flexible banks. ■

Definition . . .

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success. However, more testing and pilot projects are needed.

Integration and Planning Implications

Implementing a successful program for affluent customers requires effective integration of institutional resources and expertise. Affluent programs must cross traditional institutional division boundaries and be united under one management. Top management also must make a long-term commitment to a successful affluent program. Building such a program is an evolutionary process that inevitably will encounter transition problems and mistakes. Without strong, continued support from the top, a program will become unraveled.

Financial institutions must seek markets that fit their strategic plans and play to their strengths. If those markets included affluent segments, an effective approach should include the following:

- Develop a multidimensional definition of affluence for the markets of interest which includes emerging segments.
- Identify the current affluent customer base.
- Identify the potential affluent customer base.
- Reach affluent consumers by means of geo-demographic direct mail efforts in addition to more traditional means.
- Segment the affluent market on the basis of life cycle, lifestyle and needs/preferences.
- Develop products/services specifically for the several affluent segments.
- Develop multidimensional delivery systems which reflect the preferences of affluent segments and include automatic, electronic, and traditional systems.
- Consider the price sensitivity of standard commodity products/services and the quality sensitivity of nonstandard ones.
- Test affluent centers on a limited basis.
- Integrate institution resources for more effective and efficient programs.
- Follow a focused and well-thought-out strategic plan.

Indeed, upscale consumers may constitute the most profitable market segments for financial services. Yet, the approach taken by a financial institution will determine its success in building and nurturing profitable relationships with affluent customers. ■

Independent Bankers Offer Withholding Guide

Washington Bureau

WASHINGTON — Even though the banking lobby won this year's fight to block across-the-board tax withholding on interest and dividends, there are still a host of related regulations to be observed by depository institutions.

Because of the complexity of some of the new rules, the Independent Bankers Association of America is offering a 14-page guide designed to help bankers understand and comply with the rules.

The trade group recently distributed the guide free to its 7,000 members and is charging 50 cents a copy to nonmembers. The IBAA describes the guide as a "plain-English summary" of the new law's requirements, which includes 20% backup withholding on those depositors identified as tax cheaters.

Copies are available from IBAA, P.O. Box 267, Sauk Centre, Minn., 56378. Postage and handling will cost an additional $1.50. ■

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